United States
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2023

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 1-9583

MBIA INC.
(Exact name of registrant as specified in its charter)

Connecticut (State or other jurisdiction of incorporation or organization)	**06-1185706** (I.R.S. Employer Identification No.)
1 Manhattanville Road, Suite 301, Purchase, New York (Address of principal executive offices)	**10577** (Zip Code)

(914) 273-4545
(Registrant's telephone number, including area code)

Not applicable
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	**MBI**	**New York Stock Exchange**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of October 26, 2023, 51,139,497 shares of Common Stock, par value $1 per share, were outstanding.

FORWARD-LOOKING AND CAUTIONARY STATEMENTS

This quarterly report of MBIA Inc., together with its consolidated subsidiaries, (collectively, “MBIA”, the “Company”, “we”, “us” or “our”) includes statements that are not historical or current facts and are “forward-looking statements” made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The words “believe”, “anticipate”, “project”, “plan”, “expect”, “estimate”, “intend”, “will likely result”, “looking forward”, or “will continue” and similar expressions identify forward-looking statements. These statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical earnings and those presently anticipated or projected. MBIA cautions readers not to place undue reliance on any such forward-looking statements, which speak only to their respective dates. We undertake no obligation to publicly correct or update any forward-looking statement if the Company later becomes aware that such result is not likely to be achieved.

The following are some of the general factors that could affect financial performance or could cause actual results to differ materially from estimates contained in or underlying the Company’s forward-looking statements:

- increased credit losses or impairments on public finance obligations that National Public Finance Guarantee Corporation (“National”) insures issued by state, local and territorial governments and finance authorities and other providers of public services, located in the U.S. or abroad, that are experiencing fiscal stress;
- the possibility that loss reserve estimates are not adequate to cover potential claims;
- a disruption in the cash flow from National or an inability to access the capital markets and our exposure to significant fluctuations in liquidity and asset values in the global credit markets as a result of collateral posting requirements;
- our ability to fully implement our strategic plan;
- the possibility that MBIA Insurance Corporation will have inadequate liquidity or resources to timely pay claims as a result of higher than expected losses on certain insured transactions or as a result of a delay or failure in collecting expected recoveries, which could lead the New York State Department of Financial Services (“NYSDFS”) to put MBIA Insurance Corporation into a rehabilitation or liquidation proceeding under Article 74 of the New York Insurance Law and/or take such other actions as the NYSDFS may deem necessary to protect the interests of MBIA Insurance Corporation’s policyholders;
- deterioration in the economic environment and financial markets in the United States or abroad, real estate market performance, credit spreads, interest rates and foreign currency levels; and
- the effects of changes to governmental regulation, including insurance laws, securities laws, tax laws, legal precedents and accounting rules.

The above factors provide a summary of and are qualified in their entirety by the risk factors discussed under “Risk Factors” in Part II, Other Information, Item 1A included in Quarterly Report on Form 10-Q. The Company encourages readers to review these risk factors in their entirety.

This quarterly report of MBIA Inc. also includes statements of the opinion and belief of MBIA management which may be forward-looking statements subject to the preceding cautionary disclosure. Unless otherwise indicated herein, the basis for each statement of opinion or belief of MBIA management in this report is the relevant industry or subject matter experience and views of certain members of MBIA’s management. Accordingly, MBIA cautions readers not to place undue reliance on any such statements, because like all statements of opinion or belief they are not statements of fact and may prove to be incorrect. We undertake no obligation to publicly correct or update any statement of opinion or belief if the Company later becomes aware that such statement of opinion or belief was not or is not then accurate. In addition, readers are cautioned that each statement of opinion or belief may be further qualified by disclosures set forth elsewhere in this report or in other disclosures by MBIA.

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

MBIA INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (Unaudited)
(In millions except share and per share amounts)

	September 30, 2023	December 31, 2022
Assets		
Investments:		
Fixed-maturity securities held as available-for-sale, at fair value (amortized cost $1,808 and $2,044)	$ 1,555	$ 1,812
Investments carried at fair value	346	511
Short-term investments, at fair value (amortized cost $444 and $353)	444	353
Other investments at amortized cost	3	-
Total investments	2,348	2,676
Cash and cash equivalents	70	50
Premiums receivable (net of allowance for credit losses $0 and $0)	151	160
Deferred acquisition costs	32	35
Insurance loss recoverable	177	137
Assets held for sale	74	80
Other assets	78	73
Assets of consolidated variable interest entities:		
Cash	4	16
Investments carried at fair value	22	47
Loans receivable at fair value	32	78
Other assets	2	23
Total assets	**$ 2,990**	**$ 3,375**
Liabilities and Equity		
Liabilities:		
Unearned premium revenue	$ 240	$ 266
Loss and loss adjustment expense reserves	450	439
Long-term debt	2,546	2,428
Medium-term notes (includes financial instruments carried at fair value of $37 and $41)	495	501
Investment agreements	225	233
Derivative liabilities	23	49
Liabilities held for sale	65	61
Other liabilities	82	94
Liabilities of consolidated variable interest entities:		
Variable interest entity debt (includes financial instruments carried at fair value of $78 and $172)	81	174
Derivative liabilities	11	6
Total liabilities	**4,218**	**4,251**
Commitments and contingencies (Refer to Note 13: Commitments and Contingencies)		
Equity:		
Preferred stock, par value $1 per share; authorized shares--10,000,000; issued and outstanding--none	-	-
Common stock, par value $1 per share; authorized shares--400,000,000; issued shares--283,186,115 and 283,186,115	283	283
Additional paid-in capital	2,919	2,925
Retained earnings (deficit)	(1,006)	(653)
Accumulated other comprehensive income (loss), net of tax of $7 and $8	(263)	(283)
Treasury stock, at cost--232,046,875 and 228,333,444 shares	(3,172)	(3,154)
Total shareholders' equity of MBIA Inc.	(1,239)	(882)
Preferred stock of subsidiary and noncontrolling interest held for sale	11	6
Total equity	**(1,228)**	**(876)**
Total liabilities and equity	**$ 2,990**	**$ 3,375**

The accompanying notes are an integral part of the consolidated financial statements.

MBIA INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
(In millions except share and per share amounts)

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Revenues				
Premiums earned:				
Scheduled premiums earned	$ 9	$ 10	$ 27	$ 31
Refunding premiums earned	1	1	1	6
Premiums earned (net of ceded premiums of $0, $0, $0 and $1)	10	11	28	37
Net investment income	26	24	89	67
Net realized investment gains (losses)	(13)	(13)	(23)	(37)
Net gains (losses) on financial instruments at fair value and foreign exchange	21	25	20	51
Net gains (losses) on extinguishment of debt	-	-	1	4
Fees and reimbursements	-	-	-	4
Other net realized gains (losses)	(6)	1	(5)	(18)
Revenues of consolidated variable interest entities:				
Net gains (losses) on financial instruments at fair value and foreign exchange	(23)	(36)	(47)	(16)
Other net realized gains (losses)	(7)	5	(25)	5
Total revenues	8	17	38	97
Expenses				
Losses and loss adjustment	123	(12)	158	57
Amortization of deferred acquisition costs	1	2	3	5
Operating	15	14	57	44
Interest	53	46	157	130
Expenses of consolidated variable interest entities:				
Operating	1	2	9	5
Total expenses	193	52	384	241
Income (loss) from continuing operations before income taxes	(185)	(35)	(346)	(144)
Provision (benefit) for income taxes	-	-	-	-
Income (loss) from continuing operations	(185)	(35)	(346)	(144)
Income (loss) from discontinued operations, net of income taxes	(1)	1	(2)	1
Net income (loss)	(186)	(34)	(348)	(143)
Less: Net income from discontinued operations attributable to noncontrolling interest	(1)	-	5	-
Net income (loss) attributable to MBIA Inc.	**$ (185)**	**$ (34)**	**$ (353)**	**$ (143)**
Net income (loss) per common share attributable to MBIA Inc. - basic and diluted				
Continuing operations	$ (3.93)	$ (0.68)	$ (7.10)	$ (2.88)
Discontinued operations	(0.01)	0.01	(0.15)	0.01
Net income (loss) per common share attributable to MBIA Inc. - basic and diluted	$ (3.94)	$ (0.67)	$ (7.25)	$ (2.87)
Weighted average number of common shares outstanding				
Basic	47,009,765	49,878,191	48,654,638	49,779,681
Diluted	47,009,765	49,878,191	48,654,638	49,779,681

The accompanying notes are an integral part of the consolidated financial statements.

MBIA INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (Unaudited)
(In millions)

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Net income (loss) attributable to MBIA Inc.	$ (185)	$ (34)	$ (353)	$ (143)
Other comprehensive income (loss):				
Available-for-sale securities with no credit losses:				
Unrealized gains (losses) arising during the period	(65)	(102)	(37)	(399)
Reclassification adjustments for (gains) losses included in net income (loss)	3	(3)	16	(5)
Available-for-sale securities with credit losses:				
Unrealized gains (losses) arising during the period	-	1	-	-
Foreign currency translation:				
Foreign currency translation gains (losses)	-	-	-	1
Instrument-specific credit risk of liabilities measured at fair value:				
Unrealized gains (losses) arising during the period	1	(2)	(4)	(22)
Reclassification adjustments for (gains) losses included in net income (loss)	11	23	45	11
Total other comprehensive income (loss)	(50)	(83)	20	(414)
Comprehensive income (loss) attributable to MBIA Inc.	**$ (235)**	**$ (117)**	**$ (333)**	**$ (557)**

The accompanying notes are an integral part of the consolidated financial statements.

MBIA INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)
(In millions except share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Common shares				
Balance at beginning and end of period	283,186,115	283,186,115	283,186,115	283,186,115
Common stock amount				
Balance at beginning and end of period	$ 283	$ 283	$ 283	$ 283
Additional paid-in capital				
Balance at beginning of period	$ 2,915	$ 2,919	$ 2,925	$ 2,931
Period change	4	2	(6)	(10)
Balance at end of period	$ 2,919	$ 2,921	$ 2,919	$ 2,921
Retained earnings				
Balance at beginning of period	$ (821)	$ (567)	$ (653)	$ (458)
Net income (loss) attributable to MBIA Inc.	(185)	(34)	(353)	(143)
Balance at end of period	$ (1,006)	$ (601)	$ (1,006)	$ (601)
Accumulated other comprehensive income (loss)				
Balance at beginning of period	$ (213)	$ (231)	$ (283)	$ 100
Other comprehensive income (loss)	(50)	(83)	20	(414)
Balance at end of period	$ (263)	$ (314)	$ (263)	$ (314)
Treasury shares				
Balance at beginning of period	(231,143,200)	(228,286,399)	(228,333,444)	(228,630,003)
Treasury shares acquired under share repurchase program	(672,066)	-	(3,568,886)	-
Other	(231,609)	493	(144,545)	344,097
Balance at end of period	(232,046,875)	(228,285,906)	(232,046,875)	(228,285,906)
Treasury stock amount				
Balance at beginning of period	$ (3,165)	$ (3,152)	$ (3,154)	$ (3,169)
Treasury shares acquired under share repurchase program	(6)	-	(29)	-
Other	(1)	-	11	17
Balance at end of period	$ (3,172)	$ (3,152)	$ (3,172)	$ (3,152)
Total shareholders' equity of MBIA Inc.				
Balance at beginning of period	$ (1,001)	$ (748)	$ (882)	$ (313)
Period change	(238)	(115)	(357)	(550)
Balance at end of period	**$ (1,239)**	**$ (863)**	**$ (1,239)**	**$ (863)**
Preferred stock of subsidiary shares				
Balance at beginning and end of period	1,315	1,315	1,315	1,315
Preferred stock of subsidiary and noncontrolling interest held for sale				
Balance at beginning of period	$ 12	$ 13	$ 6	$ 13
Period change	(1)	1	5	1
Balance at end of period	**$ 11**	**$ 14**	**$ 11**	**$ 14**
Total equity	**$ (1,228)**	**$ (849)**	**$ (1,228)**	**$ (849)**

The accompanying notes are an integral part of the consolidated financial statements.

MBIA INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(In millions)

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Cash flows from operating activities:		
Premiums, fees and reimbursements received	$ 12	$ 17
Investment income received	77	68
Financial guarantee losses and loss adjustment expenses paid	(210)	(481)
Proceeds from recoveries and reinsurance, net of salvage paid to reinsurers	11	647
Operating expenses paid and other operating	(55)	(79)
Other proceeds from consolidated variable interest entities	28	-
Interest paid, net of interest converted to principal	(49)	(35)
Cash (used) provided by discontinued operations	(7)	3
Net cash provided (used) by operating activities	(193)	140
Cash flows from investing activities:		
Purchases of available-for-sale investments	(352)	(836)
Sales of available-for-sale investments	380	859
Paydowns, maturities and other proceeds of available-for-sale investments	187	325
Purchases of investments at fair value	(61)	(121)
Sales, paydowns, maturities and other proceeds of investments at fair value	251	189
Sales, paydowns and maturities (purchases) of short-term investments, net	(86)	(371)
Paydowns and maturities of loans receivable	7	7
Consolidation of variable interest entities	-	2
Deconsolidation of variable interest entities	(2)	-
(Payments) proceeds for derivative settlements	(8)	(9)
Proceeds (payments) from discontinued operations	(9)	10
Net cash provided (used) by investing activities	307	55
Cash flows from financing activities:		
Proceeds from investment agreements	6	6
Principal paydowns of investment agreements	(4)	(9)
Principal paydowns of medium-term notes	(10)	(74)
Proceeds from variable interest entity debt	62	2
Principal paydowns/redemptions of variable interest entity debt	(141)	(122)
Principal paydowns of long-term debt	-	(29)
Purchases of treasury stock	(35)	(3)
Cash provided (used) by discontinued operations	5	-
Net cash provided (used) by financing activities	(117)	(229)
Effect of exchange rate changes on cash and cash equivalents	-	(2)
Net increase (decrease) in cash and cash equivalents	(3)	(36)
Cash and cash equivalents - beginning of period	78	160
Cash and cash equivalents - end of period	$ 75	$ 124
Reconciliation of net income (loss) to net cash provided (used) by operating activities:		
Net income (loss)	$ (348)	$ (143)
Income (loss) from discontinued operations, net of income taxes	(2)	1
Income (loss) from continuing operations	(346)	(144)
Adjustments to reconcile net income (loss) from continuing operations to net cash provided (used) by operating activities:		
Change in:		
Unearned premium revenue	(26)	(35)
Loss and loss adjustment expense reserves	1	145
Insurance loss recoverable	(40)	106
Accrued interest payable	100	86
Other liabilities	10	(49)
Net realized investment gains (losses)	23	37
Net (gains) losses on financial instruments at fair value and foreign exchange	27	(35)
Other net realized (gains) losses	30	13
Other operating	28	16
Total adjustments to income (loss) from continuing operations	153	284
Net cash provided (used) by operating activities	$ (193)	$ 140
Supplementary Disclosure of Consolidated Cash Flow Information:		
Non-cash investing activities:		
Loans receivable disposed of a variable interest entity	$ 28	$ -
Other investments, received from sale of net assets held for sale	3	-
Fixed-maturity securities held as available-for-sale, received as salvage	-	459
Investments carried at fair value, received as salvage	-	277
Non-cash financing activities:		
Variable interest entity notes disposed of upon deconsolidation	22	-

Note 1: Business Developments and Risks and Uncertainties

Summary

MBIA Inc., together with its consolidated subsidiaries, (collectively, "MBIA" or the "Company") operates within the financial guarantee insurance industry. MBIA manages three operating segments: 1) United States ("U.S.") public finance insurance; 2) corporate; and 3) international and structured finance insurance. The Company's U.S. public finance insurance business is managed through National Public Finance Guarantee Corporation ("National"), the corporate segment is operated through MBIA Inc. and several of its subsidiaries, including its service company, MBIA Services Corporation ("MBIA Services") and its international and structured finance insurance business is primarily operated through MBIA Insurance Corporation and its subsidiaries ("MBIA Corp.").

Refer to "Note 10: Business Segments" for further information about the Company's operating segments.

Business Developments

Puerto Rico

On January 1, 2023, the Puerto Rico Electric Power Authority ("PREPA") defaulted on scheduled debt service for National insured bonds and National paid gross claims in the aggregate of $18 million. In addition, on July 1, 2023, PREPA defaulted on scheduled debt service for National insured bonds and National paid gross claims in the aggregate of $119 million. As of September 30, 2023, National had $808 million of debt service outstanding related to PREPA.

<u>PREPA</u>

On March 8, 2022, the Puerto Rico Fiscal Agency and Financial Advisory Authority ("AAFAF") and PREPA terminated the restructuring support agreement. On April 8, 2022, the Court appointed a new panel of judges to commence mediation among the Financial Oversight and Management Board for Puerto Rico (the "Oversight Board"), the Ad Hoc creditor group of holders of PREPA Senior Bonds, Assured Guaranty Corp. and Assured Guaranty Municipal Corp. ("Assured"), National and Syncora Guarantee, Inc. The mediation initially terminated on September 16, 2022; however on September 29, 2022 the Court entered an order restarting mediation through January 31, 2023. Mediation was further continued until July 28, 2023. On January 31, 2023, National entered into the PREPA Plan Support Agreement ("PREPA PSA") with the Oversight Board, on behalf of itself and as the sole Title III representative of PREPA. On February 9, 2023, the Oversight Board filed an amendment to PREPA's Plan of Adjustment originally filed with the Title III Court on December 16, 2022 (the "Amended Plan"), that reflects the entry into the PREPA PSA and the settlement described therein. On June 26, 2023, the Court entered an order reducing bondholder allowed net unsecured claims to $2.4 billion from approximately $7.6 billion. On August 25, 2023, National entered into the First Amendment to the PREPA Plan Support Agreement (the "Amended PSA") with the Oversight Board, on behalf of itself and as the sole Title III representative of PREPA. On August 25, 2023, the Oversight Board filed its Third Amended Title III Plan of Adjustment (the "Third Amended Plan") incorporating, among other things, the terms of the Amended PSA. The Amended PSA provides that, upon the effective date of the Third Amended Plan, National shall receive cash, together with certain fees and expense reimbursement payments, in an amount based in part on the ultimate participation by a joinder date, if any, of certain currently non-accepting holders of uninsured PREPA bonds. The Amended PSA also provides National with additional consideration in the form of two types of contingent values instruments, whose value cannot be assured. The Amended PSA remains subject to a number of conditions, including (but not limited to) the Title III Court's approval of the Amended PSA and the confirmation and effectiveness of the Third Amended Plan, as it may be further amended with the Court's approval.

Refer to "Note 5: Loss and Loss Adjustment Expense Reserves" for a further discussion of the Company's Puerto Rico reserves and recoveries.

Note 1: Business Developments and Risks and Uncertainties (continued)

Zohar CDOs

Payment of claims on MBIA Corp.'s policies insuring the Class A-1 and A-2 notes issued by Zohar collateralized debt obligation ("CDO") 2003-1, Limited ("Zohar I") and Zohar II 2005-1, Limited ("Zohar II") (collectively, the "Zohar CDOs"), entitled MBIA Corp. to reimbursement of such amounts plus interest and expenses and/or to exercise certain rights and remedies to seek recovery of such amounts. MBIA Corp. has anticipated that it would receive substantial recoveries on the loans made to, and equity interests in, portfolio companies that, until late March of 2020, were purportedly controlled and managed by the sponsor and former collateral manager of the Zohar CDOs (collectively, the "Zohar Collateral"). Since March of 2018, MBIA Corp. had been pursuing those recoveries in a Delaware bankruptcy proceeding filed by the Zohar CDOs ("Zohar Funds Bankruptcy Cases"). Pursuant to a plan of liquidation that became effective in August of 2022, all remaining Zohar Collateral was distributed to MBIA Corp. either directly or in the form of interests in certain asset recovery entities. There still remains significant uncertainty with respect to the realizable value of the remaining loans and equity interests that formerly constituted the Zohar Collateral. Further, as the monetization of these assets unfolds, and new information concerning the financial condition of the portfolio companies is disclosed, the Company will continue to revise its expectations for recoveries.

The interests in the asset recovery entities include various loans to and equity interest in portfolio companies. For those portfolio companies in which the Company does not have a majority of the voting interest, the Company recorded these assets as investments. For those portfolio companies in which the Company owns a majority of the voting interest, the Company consolidated the assets, liabilities, and financial results of these companies. In accordance with Accounting Standards Codification ("ASC") 360-10, Property, Plant, and Equipment and ASC 205-20, Presentation of Financial Statements-Discontinued Operations, certain of these portfolio companies met the criteria to be classified as held for sale and discontinued operations. Refer to the following "Discontinued Operations" section below for further information about the Company's discontinued operations. In addition, certain of the Zohar debtors' litigation claims were transferred into a litigation trust that the Company consolidated as a variable interest entity ("VIE").

<u>Discontinued Operations</u>

For those Zohar-related portfolio companies in which the Company acquired an interest and which have met the criteria for held for sale classification in accordance with ASC 360, the Company classified these entities as held for disposition. Accordingly, the Company classified the assets and liabilities of consolidated portfolio companies and the interests in certain nonconsolidated portfolio companies as held for sale. Furthermore, as these entities met the one-year probable sale criteria on the acquisition date, and the remaining held for sale criteria within a short period following the acquisition date, these entities were classified as discontinued operations in accordance with ASC 205. As of September 30, 2023 and December 31, 2022, the assets and liabilities of these entities are presented within "Assets held for sale" and "Liabilities held for sale" on the Company's consolidated balance sheets. Additionally, the results of operations for these entities are classified as "Income from discontinued operations, net of income taxes" on the Company's consolidated statements of operations for the three and nine months ended September 30, 2023. During the three months ended September 30, 2023, the net assets of one of the Company's Zohar-related portfolio companies that was classified as held for sale was disposed. The consideration received as part of this disposition was approximate to the carrying value of the assets and liabilities held for sale.

In the first quarter of 2023, the Company recorded income from discontinued operations, net of income taxes of $18 million to correct the overstatement of a loss recognized in the fourth quarter of 2022 related to the loss on disposal group. Additionally, the Company recorded a loss from discontinued operations attributable to noncontrolling interests in the first quarter of 2023 of $8 million to correct the overstatement of a loss attributable to noncontrolling interests recognized in the fourth quarter of 2022. The Company evaluated the materiality of these errors in accordance with Securities and Exchange Commission ("SEC") Staff Accounting Bulletin No. 99, Materiality, and SEC Staff Accounting Bulletin No. 108, Considering the Effects of Prior Year Misstatements When Quantifying Misstatements in Current Year Financial Statements, and concluded that these errors, individually and in the aggregate, were immaterial to the current and the prior periods to which these errors relate.

Note 1: Business Developments and Risks and Uncertainties (continued)

The following table summarizes the components of assets and liabilities held for sale:

In millions	As of September 30, 2023	As of December 31, 2022
Assets held for sale		
Cash	$ 1	$ 12
Accounts receivable	18	24
Goodwill	90	90
Other assets	11	8
Loss on disposal group	(46)	(54)
Total assets held for sale	$ 74	$ 80
Liabilities held for sale		
Accounts payable	$ 8	$ 12
Debt	37	30
Accrued expenses and other	20	19
Total liabilities held for sale	$ 65	$ 61

The results of operations from discontinued operations for the three and nine months ended September 30, 2023 and 2022 consist of the following:

In millions	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Revenues:				
Revenues	$ 29	$ 23	$ 92	$ 23
Cost of sales	15	11	46	11
Total revenues from discontinued operations	14	12	46	12
Expenses:				
Operating	16	11	53	11
Interest	1	-	3	-
Increase (decrease) on loss on disposal group	(2)	-	(8)	-
Total expenses from discontinued operations	15	11	48	11
Income (loss) before income taxes from discontinued operations	(1)	1	(2)	1
Provision (benefit) for income taxes from discontinued operations	-	-	-	-
Income (loss) from discontinued operations, net of income taxes	$ (1)	$ 1	$ (2)	$ 1

Risks and Uncertainties

The Company's financial statements include estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The outcome of certain significant risks and uncertainties could cause the Company to revise its estimates and assumptions or could cause actual results to differ materially from the Company's estimates. The discussion below highlights the significant risks and uncertainties that could have a material effect on the Company's financial statements and business objectives in future periods.

National's Insured Portfolio

National continues to monitor and remediate its existing insured portfolio and may also pursue other transactions, including a special dividend that could enhance shareholder value. Certain state and local governments and territory obligors that National insures are under financial and budgetary stress. This could lead to an increase in defaults by such entities on the payment of their obligations and losses or impairments on a greater number of National's insured transactions. In particular, PREPA is currently in bankruptcy-like proceedings in the United States District Court for the District of Puerto Rico. While National has entered into an agreement to support a plan to resolve the PREPA proceeding, PREPA may continue to fail to make payments when due, which could cause National to make additional claims payments which could be material. There is no assurance the PREPA amended plan of adjustment will ultimately be confirmed and go effective. National monitors and analyzes these situations and other stressed credits closely, and the overall extent and duration of this stress is uncertain.

Note 1: Business Developments and Risks and Uncertainties (continued)

MBIA Corp.'s Insured Portfolio

MBIA Corp.'s primary objectives are to satisfy all claims by its policyholders and to maximize future recoveries, if any, for its surplus note holders, and then its preferred stock holders. MBIA Corp. is executing this strategy by, among other things, taking steps to maximize the collection of recoveries and by reducing and mitigating potential losses on its insurance exposures. MBIA Corp.'s insured portfolio performance could deteriorate and result in additional significant loss reserves and claim payments. MBIA Corp.'s ability to meet its obligations is limited by available liquidity and its ability to secure additional liquidity through financing and other transactions. There can be no assurance that MBIA Corp. will be successful in generating sufficient resources to meet its obligations.

Recoveries

In addition to the recoveries on the Zohar Collateral, MBIA Corp. also projects to collect recoveries from prior claims associated with insured residential mortgage-backed securities ("RMBS"); however, the amount and timing of these collections are uncertain.

Failure to collect its expected recoveries could impede MBIA Corp.'s ability to make payments when due on other policies. MBIA Corp. believes that if the New York State Department of Financial Services ("NYSDFS") concludes at any time that MBIA Insurance Corporation will not be able to pay its policyholder claims, the NYSDFS would likely put MBIA Insurance Corporation into a rehabilitation or liquidation proceeding under Article 74 of the New York Insurance Law ("NYIL") and/or take such other actions as the NYSDFS may deem necessary to protect the interests of MBIA Insurance Corporation's policyholders. The determination to commence such a proceeding or take other such actions is within the exclusive control of the NYSDFS.

Given the separation of MBIA Inc. and MBIA Corp. as distinct legal entities, the absence of any cross defaults between the entities and the lack of reliance by MBIA Inc. on MBIA Corp. for dividends, the Company does not believe that a rehabilitation or liquidation proceeding with respect to MBIA Insurance Corporation would have any significant liquidity impact on MBIA Inc. Such a proceeding could have material adverse consequences for MBIA Corp., including the termination of derivative contracts for which counterparties may assert market-based claims, the acceleration of debt obligations issued by affiliates and insured by MBIA Corp., the loss of control of MBIA Insurance Corporation to a rehabilitator or liquidator, and unplanned costs.

Refer to "Note 5: Loss and Loss Adjustment Expense Reserves" for additional information about MBIA Corp.'s recoveries.

Corporate Liquidity

Based on the Company's projections of National's dividends and other cash inflows, the Company expects that MBIA Inc. will have sufficient cash to satisfy its debt service and general corporate needs. However, MBIA Inc. continues to have liquidity risk that could be caused by interruption of or reduction in dividends from National, deterioration in the performance of invested assets, impaired access to the capital markets, as well as other factors, which are not anticipated at this time. Furthermore, failure by MBIA Inc. to settle liabilities that are insured by MBIA Corp. could result in claims on MBIA Corp.

Note 2: Significant Accounting Policies

The Company has disclosed its significant accounting policies in "Note 2: Significant Accounting Policies" in the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022. The following significant accounting policies provide an update to those included in the Company's Annual Report on Form 10-K.

Note 2: Significant Accounting Policies (continued)

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X and, accordingly, do not include all of the information and disclosures required by accounting principles generally accepted in the United States of America ("GAAP") for annual periods. These statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Annual Report on Form 10-K for the year ended December 31, 2022. The accompanying consolidated financial statements have not been audited by an independent registered public accounting firm in accordance with the standards of the Public Company Accounting Oversight Board (U.S.), but in the opinion of management such financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for the fair statement of the Company's consolidated financial position and results of operations. All material intercompany balances and transactions have been eliminated.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. As additional information becomes available or actual amounts become determinable, the recorded estimates are revised and reflected in operating results.

The results of operations for the three and nine months ended September 30, 2023 may not be indicative of the results that may be expected for the year ending December 31, 2023. The December 31, 2022 consolidated balance sheet was derived from audited financial statements, but does not include all disclosures required by GAAP for annual periods.

Note 3: Recent Accounting Pronouncements

Recently Adopted Accounting Standards

In January of 2021, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2021-01, "Reference Rate Reform – Scope," which clarified the scope and application of the original guidance, ASU 2020-04,"Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting," issued in March of 2020. In December of 2022, the FASB issued ASU 2022-06,"Reference Rate Reform – Deferral of the Sunset Date of Topic 848," which extends the sunset date to December 31, 2024. ASU 2020-04 provides optional expedients and exceptions for applying GAAP to contract modifications and hedging relationships that reference London Interbank Offered Rate ("LIBOR") or other rates that are expected to be discontinued, subject to meeting certain criteria. These ASUs were effective upon issuance, and the Company may elect to apply the amendments prospectively through December 31, 2024. The Company adopted these ASUs in the second quarter of 2023 and the adoption of these ASUs did not materially affect the Company's consolidated financial statements.

The Company has identified LIBOR transition primarily effecting its insurance portfolio exposures that reference or are indexed to LIBOR, interest rate swaps referencing LIBOR, investments indexed to an interbank offered rate, including LIBOR, and MBIA Corp.'s surplus notes. The Company will be applying the accounting relief as relevant contract modifications are made through December 31, 2024. Contract modifications are expected to only include those that address a LIBOR transition.

The Company has not adopted any other new accounting pronouncements that had a material impact on its consolidated financial statements.

Note 4: Variable Interest Entities

Primarily through MBIA's international and structured finance insurance segment, the Company provides credit protection to issuers of obligations that may involve issuer-sponsored special purpose entities ("SPEs"). An SPE may be considered a variable interest entity ("VIE") to the extent the SPE's total equity at risk is not sufficient to permit the SPE to finance its activities without additional subordinated financial support or its equity investors lack any one of the following characteristics: (i) the power to direct the activities of the SPE that most significantly impact the entity's economic performance or (ii) the obligation to absorb the expected losses of the entity or the right to receive the expected residual returns of the entity. A holder of a variable interest or interests in a VIE is required to assess whether it has a controlling financial interest, and thus is required to consolidate the entity as primary beneficiary. An assessment of a controlling financial interest identifies the primary beneficiary as the variable interest holder that has both of the following characteristics: (i) the power to direct the activities of the VIE that most significantly impact the entity's economic performance and (ii) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE. The primary beneficiary is required to consolidate the VIE. An ongoing reassessment of controlling financial interest is required to be performed based on any substantive changes in facts and circumstances involving the VIE and its variable interests.

The Company evaluates issuer-sponsored SPEs initially to determine if an entity is a VIE, and is required to reconsider its initial determination if certain events occur. For all entities determined to be VIEs, MBIA performs an ongoing reassessment to determine whether its guarantee to provide credit protection on obligations issued by VIEs provides the Company with a controlling financial interest. Based on its ongoing reassessment of controlling financial interest, the Company determines whether a VIE is required to be consolidated or deconsolidated.

The Company makes its determination for consolidation based on a qualitative assessment of the purpose and design of a VIE, the terms and characteristics of variable interests of an entity, and the risks a VIE is designed to create and pass through to holders of variable interests. The Company generally provides credit protection on obligations issued by VIEs, and holds certain contractual rights according to the purpose and design of a VIE. The Company may have the ability to direct certain activities of a VIE depending on facts and circumstances, including the occurrence of certain contingent events, and these activities may be considered the activities that most significantly impact the VIE's economic performance. The Company generally considers its guarantee of principal and interest payments of insured obligations, given nonperformance by a VIE, to be an obligation to absorb losses of the entity that could potentially be significant to the VIE. At the time the Company determines it has the ability to direct the activities of a VIE that most significantly impact the economic performance of the entity based on facts and circumstances, MBIA is deemed to have a controlling financial interest in the VIE and is required to consolidate the entity as primary beneficiary. The Company performs an ongoing reassessment of controlling financial interest that may result in consolidation or deconsolidation of any VIE.

Consolidated VIEs

The carrying amounts of assets and liabilities are presented separately in "Assets of consolidated variable interest entities" and "Liabilities of consolidated variable interest entities" on the Company's consolidated balance sheets. VIEs are consolidated or deconsolidated based on an ongoing reassessment of controlling financial interest, when events occur or circumstances arise, and whether the ability to exercise rights that constitute power to direct activities of any VIE are present according to the design and characteristics of these entities. During the third, second and first quarters of 2023, the Company deconsolidated one structured finance VIE each quarter due to the commutation of the credit enhancement on or prepayments of the outstanding notes of the VIEs that the Company insured and recorded losses of $7 million, $7 million and $15 million, respectively. For the nine months ended September 30, 2023, no additional VIEs were consolidated. During the third quarter of 2022, the Company consolidated one VIE related to the Zohar CDOs' emergence from bankruptcy. Also, in the third quarter of 2022, the Company deconsolidated one VIE. There were no gains (losses) on the consolidation and deconsolidation of the VIEs in the third quarter of 2022. During second and first quarters of 2022, there were no consolidation or deconsolidation of VIEs by the Company. Consolidation and deconsolidation gains and losses, if any, are recorded within "Other net realized gains (losses)" under "Revenues of consolidated variable interest entities" on the Company's consolidated statements of operations.

Holders of insured obligations of issuer-sponsored VIEs do not have recourse to the general assets of the Company. In the event of nonpayment of an insured obligation issued by a consolidated VIE, the Company is obligated to pay principal and interest, when due, on the respective insured obligation only. The Company's exposure to consolidated VIEs is limited to the credit protection provided on insured obligations and any additional variable interests held by the Company.

Note 4: Variable Interest Entities (continued)

Nonconsolidated VIEs

The following tables present the Company's maximum exposure to loss for nonconsolidated VIEs and carrying values of the assets and liabilities for its interests in these VIEs in its insurance operations as of September 30, 2023 and December 31, 2022. The maximum exposure to loss as a result of MBIA's variable interests in VIEs is represented by insurance in force. Insurance in force is the maximum future payments of principal and interest which may be required under commitments to make payments on insured obligations issued by nonconsolidated VIEs. The Company has aggregated nonconsolidated VIEs based on the underlying credit exposure of the insured obligation. The nature of the Company's variable interests in nonconsolidated VIEs is related to financial guarantees and any investments in obligations issued by nonconsolidated VIEs.

	September 30, 2023					
		Carrying Value of Assets			Carrying Value of Liabilities	
In millions	Maximum Exposure to Loss	Investments	Premiums Receivable	Insurance Loss Recoverable	Unearned Premium Revenue	Loss and Loss Adjustment Expense Reserves
Insurance:						
Global structured finance:						
Mortgage-backed residential	$ 848	$ 18	$ 5	$ 19	$ 3	$ 219
Consumer asset-backed	130	-	-	1	-	3
Corporate asset-backed	413	-	2	7	3	-
Total global structured finance	1,391	18	7	27	6	222
Global public finance	216	-	4	-	4	-
Total insurance	$ 1,607	$ 18	$ 11	$ 27	$ 10	$ 222

	December 31, 2022					
		Carrying Value of Assets			Carrying Value of Liabilities	
In millions	Maximum Exposure to Loss	Investments	Premiums Receivable	Insurance Loss Recoverable	Unearned Premium Revenue	Loss and Loss Adjustment Expense Reserves
Insurance:						
Global structured finance:						
Mortgage-backed residential	$ 996	$ 75	$ 6	$ 21	$ 4	$ 277
Consumer asset-backed	164	-	-	-	1	5
Corporate asset-backed	450	-	3	7	3	-
Total global structured finance	1,610	75	9	28	8	282
Global public finance	230	-	5	-	4	-
Total insurance	$ 1,840	$ 75	$ 14	$ 28	$ 12	$ 282

Note 5: Loss and Loss Adjustment Expense Reserves

U.S. Public Finance Insurance

U.S. public finance insured transactions consist of municipal bonds, including tax-exempt and taxable indebtedness of U.S. political subdivisions, as well as utilities, airports, health care institutions, higher educational facilities, housing authorities and other similar agencies and obligations issued by private entities that finance projects that serve a substantial public purpose. The Company estimates future losses by using probability-weighted cash flow scenarios that are customized to each insured transaction. Future loss estimates consider debt service due for each insured transaction, which includes par outstanding and interest due, as well as recoveries for such payments, if any. Gross par outstanding for capital appreciation bonds represents the par amount at the time of issuance of the insurance policy.

Note 5: Loss and Loss Adjustment Expense Reserves (continued)

Puerto Rico

In formulating loss reserves and recoveries for its Puerto Rico exposures, estimates in the Company’s probability-weighted scenarios include assumptions related to the nature, value, and timing of net cash flows considering the following: environmental, economic, and political developments on the island; litigation and ongoing discussions with creditors and obligors on the Title III proceedings; contractual debt service payments; any existing settlement agreements or proposals and deviations from these proposals; the remediation strategy for insured obligations that have defaulted or are expected to default; and values of other obligations of the issuer. Refer to “Note 1: Business Developments and Risks and Uncertainties” for further information on the Company’s Puerto Rico exposures.

International and Structured Finance Insurance

The international and structured finance insurance segment’s case basis reserves and insurance loss recoveries recorded in accordance with GAAP do not include reserves and recoveries on consolidated VIEs, since they are eliminated in consolidation.

RMBS Case Basis Reserves (Financial Guarantees)

The Company’s RMBS case basis reserves primarily relate to RMBS backed by alternative A-paper and subprime mortgage loans. The Company calculated RMBS case basis reserves as of September 30, 2023 using a process called the Roll Rate Methodology (“Roll Rate Methodology”). The Roll Rate Methodology is a multi-step process using databases of loan level information, proprietary internal cash flow models, and commercially available models to estimate potential losses and recoveries on insured bonds. Roll Rate is defined as the probability that current loans become delinquent and subsequently default and loans in the delinquent pipeline are charged-off or liquidated. The loss reserve estimates are based on a probability-weighted average of potential scenarios of loan losses. Additional data used for both first and second-lien loans include historic averages of deal specific voluntary prepayment rates, forward projections of the secured overnight financing rate, and historic averages of deal-specific loss severities. Where applicable, the Company factors in termination scenarios when clean up calls are imminent.

In calculating ultimate cumulative losses for RMBS, the Company estimates the amount of first-lien loans that are expected to be liquidated in the future through foreclosure or short sale, and estimates, the amount of second-lien loans that are expected to be charged-off (deemed uncollectible by servicers of the transactions). The time to liquidation for a defaulted loan is specific to the loan’s delinquency bucket.

For all RMBS transactions, cash flow models consider allocations and other structural aspects and claims against MBIA Corp.’s insurance policy consistent with such policy’s terms and conditions. The estimated net claims from the procedure above are then discounted using a risk-free rate to a net present value reflecting MBIA’s general obligation to pay claims over time and not on an accelerated basis.

The Company monitors RMBS portfolio performance on a monthly basis against projected performance, reviewing delinquencies, roll rates, and prepayment rates (including voluntary and involuntary). However, loan performance remains difficult to predict and losses may exceed expectations. In the event of a material deviation in actual performance from projected performance, the Company would increase or decrease the case basis reserves accordingly and re-evaluate its assumptions.

RMBS Recoveries

The Company’s RMBS recoveries relate to structural features within the trust structures that allow for the Company to be reimbursed for prior claims paid. These reimbursements for specific trusts include recoveries that are generated from the excess spread of the transactions. Excess spread within insured RMBS securitizations is the difference between interest inflows on mortgage loan collateral and interest outflows on the insured RMBS notes.

Note 5: Loss and Loss Adjustment Expense Reserves (continued)

Summary of Loss and LAE Reserves and Recoveries

The Company's loss and LAE reserves and recoveries before consolidated VIE eliminations, along with amounts that were eliminated as a result of consolidating VIEs for the international and structured finance insurance segment, which are included in the Company's consolidated balance sheets as of September 30, 2023 and December 31, 2022 are presented in the following table:

In millions	As of September 30, 2023 Balance Sheet Line Item		As of December 31, 2022 Balance Sheet Line Item	
	Insurance loss recoverable	Loss and LAE reserves (1)	Insurance loss recoverable	Loss and LAE reserves (1)
U.S. Public Finance Insurance	$ 150	$ 228	$ 107	$ 154
International and Structured Finance Insurance:				
Before VIE eliminations	28	314	32	488
VIE eliminations	(1)	(92)	(2)	(203)
Total international and structured finance insurance	27	222	30	285
Total	$ 177	$ 450	$ 137	$ 439

(1) - Amounts are net of estimated recoveries of expected future claims.

Changes in Loss and LAE Reserves

Loss and LAE reserves represent the Company's estimate of future claims and LAE payments, net of any future recoveries of such payments. The following table presents changes in the Company's loss and LAE reserves for the nine months ended September 30, 2023. Changes in loss and LAE reserves, with the exception of loss and LAE payments and the impact of the revaluation of loss reserves denominated in amounts other than U.S. dollars, are recorded in "Losses and loss adjustment" expenses in the Company's consolidated statements of operations. As of September 30, 2023, the weighted average risk-free rate used to discount the Company's loss reserves (claim liability) was 4.80%. LAE reserves are generally expected to be settled within a one-year period and are not discounted. As of September 30, 2023 and December 31, 2022, the Company's gross loss and LAE reserves included $10 million and $12 million, respectively, related to LAE.

In millions	Changes in Loss and LAE Reserves for the Nine Months Ended September 30, 2023					
Gross Loss and LAE Reserves as of December 31, 2022	Loss and LAE Payments	Accretion of Claim Liability Discount	Changes in Discount Rates	Changes in Assumptions (1)	Changes in Unearned Premium Revenue	Gross Loss and LAE Reserves as of September 30, 2023
$ 439	$ (210)	$ 9	$ (24)	$ 234	$ 2	$ 450

(1) - Includes changes in amount and timing of estimated payments and recoveries.

Note 5: Loss and Loss Adjustment Expense Reserves (continued)

The increase in the Company's loss and LAE reserves was primarily due to updated scenarios to reflect the Amended PSA with PREPA, partially offset by claims payments on PREPA and the termination of a first-lien RMBS insured transaction. In addition, an increase in risk-free rates during 2023, caused future liabilities, net of recoveries to decline primarily on our RMBS insured transactions.

Changes in Insurance Loss Recoverable

Insurance loss recoverable represents the Company's estimate of expected recoveries on paid claims and LAE. The Company recognizes potential recoveries on paid claims based on the probability-weighted net cash inflows present valued at applicable risk-free rates as of the measurement date. The following table presents changes in the Company's insurance loss recoverable for the nine months ended September 30, 2023. Changes in insurance loss recoverable with the exception of collections, are recorded in "Losses and loss adjustment" expenses in the Company's consolidated statements of operations.

		Changes in Insurance Loss Recoverable for the Nine Months Ended September 30, 2023				
In millions	Gross Recoverable as of December 31, 2022	Collections for Cases	Accretion of Recoveries	Changes in Discount Rates	Changes in Assumptions	Gross Recoverable as of September 30, 2023
Insurance loss recoverable	$ 137	$ (7)	$ 3	$ 1	$ 43	$ 177

The increase in the Company's insurance loss recoverable reflected in the preceding table was primarily due to the PREPA January and July debt services payments, and includes a change in scenarios to reflect the current status of a proposed settlement which is expected in 2024.

Loss and LAE Activity

For the three and nine months ended September 30, 2023, the incurred loss primarily relates to updating PREPA scenarios to reflect the Amended PSA, which resulted in lower net expected recoveries. Changes in scenario assumptions also include extending the effective date of a settlement until 2024. This incurred loss was partially offset by an increase in risk-free rates, which caused future reserves, net of recoveries, to decline, primarily on the Company's first-lien RMBS portfolio. In addition, for the nine months ended September 30, 2023, the incurred loss included the termination of a first-lien RMBS insured transaction.

For the three months ended September 30, 2022, the loss and LAE benefit primarily related to an increase in risk-free rates, which decreased the present value of net case reserves on first-lien RMBS transactions. This was partially offset by changes in assumptions used to estimate the fair value of the new Puerto Rico Highway and Transportation Authority ("HTA") bonds that National expected to receive.

Note 5: Loss and Loss Adjustment Expense Reserves (continued)

For the nine months ended September 30, 2022, loss and LAE incurred primarily related to changes in the Company's estimate of expected recoveries on National's PREPA exposure to reflect the current status of a PREPA remediation. PREPA loss reserves and recoveries include certain assumptions about the timing and amount of claims payments and recoveries, including assumptions about the values of recoveries on the date the Company expects to receive reimbursement under a remediation. During the nine months ended September 30, 2022, the Company updated assumptions used to estimate the value of recoveries and the timing and amount of claim payments to reflect the current status of remediation. These assumption changes resulted in a decrease in the Company's estimated present value of expected PREPA recoveries. This was partially offset by loss benefits related to HTA and Puerto Rico Commonwealth GO ("GO") Bonds recoveries. During the nine months ended September 30, 2022, the Company's HTA recoveries increased, based on updated information related to the fair value of the HTA contingent value instrument that National received in July of 2022 and its estimated value of the HTA bonds National expected to receive. In addition, the Company recorded a loss benefit on its GO recoveries to reflect the fair values of the consideration received as of the acquisition date, which was higher than its previous estimate. Additionally, an increase in risk-free rates during the first nine months of 2022, resulted in a decrease in the present value of net case reserves on first-lien RMBS.

Costs associated with remediating insured obligations assigned to the Company's surveillance categories are recorded as LAE and are included in "Losses and loss adjustment" expenses on the Company's consolidated statements of operations. For the three months ended September 30, 2023 and 2022, gross LAE related to remediating insured obligations were $2 million and a benefit of $1 million, respectively. For the nine months ended September 30, 2023 and 2022, gross LAE related to remediating insured obligations was $7 million and $4 million, respectively.

Surveillance Categories

The following table provides information about the financial guarantees and related claim liability included in each of MBIA's surveillance categories as of September 30, 2023:

	Surveillance Categories				
$ in millions	**Caution List Low**	**Caution List Medium**	**Caution List High**	**Classified List**	**Total**
Number of policies	36	1	-	95	132
Number of issues (1)	13	1	-	78	92
Remaining weighted average contract period (in years)	5.6	0.3	-	7.0	6.3
Gross insured contractual payments outstanding: (2)					
Principal	$ 1,411	$ 2	$ -	$ 1,255	$ 2,668
Interest	1,697	-	-	494	2,191
Total	$ 3,108	$ 2	$ -	$ 1,749	$ 4,859
Gross Claim Liability (3)	$ -	$ -	$ -	$ 653	$ 653
Less:					
Gross Potential Recoveries (4)	-	-	-	235	235
Discount, net (5)	-	-	-	147	147
Net claim liability (recoverable)	$ -	$ -	$ -	$ 271	$ 271
Unearned premium revenue	$ 9	$ -	$ -	$ 8	$ 17
Reinsurance recoverable on paid and unpaid losses (6)					$ 13

(1) - An "issue" represents the aggregate of financial guarantee policies that share the same revenue source for purposes of making debt service payments on the insured debt.
(2) - Represents contractual principal and interest payments due by the issuer of the obligations insured by MBIA.
(3) - The gross claim liability with respect to Puerto Rico exposures are net of expected recoveries for policies in a net payable position.
(4) - Gross potential recoveries with respect to certain Puerto Rico exposures are net of the claim liability for policies in a net recoverable position.
(5) - Represents discount related to Gross Claim Liability and Gross Potential Recoveries.
(6) - Included in "Other assets" on the Company's consolidated balance sheets.

Note 5: Loss and Loss Adjustment Expense Reserves (continued)

The following table provides information about the financial guarantees and related claim liability included in each of MBIA's surveillance categories as of December 31, 2022:

	Surveillance Categories				
$ in millions	Caution List Low	Caution List Medium	Caution List High	Classified List	Total
Number of policies	57	3	-	101	161
Number of issues [(1)]	17	2	-	80	99
Remaining weighted average contract period (in years)	5.7	2.4	-	7.2	6.4
Gross insured contractual payments outstanding: [(2)]					
Principal	$ 1,723	$ 4	$ -	$ 1,458	$ 3,185
Interest	1,905	1	-	602	2,508
Total	$ 3,628	$ 5	$ -	$ 2,060	$ 5,693
Gross Claim Liability [(3)]	$ -	$ -	$ -	$ 677	$ 677
Less:					
Gross Potential Recoveries [(4)]	-	-	-	198	198
Discount, net [(5)]	-	-	-	179	179
Net claim liability (recoverable)	$ -	$ -	$ -	$ 300	$ 300
Unearned premium revenue	$ 11	$ -	$ -	$ 9	$ 20
Reinsurance recoverable on paid and unpaid losses [(6)]					$ 10

(1) - An "issue" represents the aggregate of financial guarantee policies that share the same revenue source for purposes of making debt service payments on the insured debt.
(2) - Represents contractual principal and interest payments due by the issuer of the obligations insured by MBIA.
(3) - The gross claim liability with respect to Puerto Rico exposures are net of expected recoveries for policies in a net payable position.
(4) - Gross potential recoveries with respect to certain Puerto Rico exposures are net of the claim liability for policies in a net recoverable position.
(5) - Represents discount related to Gross Claim Liability and Gross Potential Recoveries.
(6) - Included in "Other assets" on the Company's consolidated balance sheets.

Note 6: Fair Value of Financial Instruments

Fair Value Measurement

Financial Assets and Liabilities

Financial assets held by the Company primarily consist of investments in debt and equity securities and loans receivables at fair value held by consolidated VIEs. Financial liabilities, excluding derivative liabilities, issued by the Company primarily consist of debt issued for general corporate purposes within its corporate segment, MTNs, investment agreements, and debt issued by consolidated VIEs. The Company's derivative liabilities are primarily interest rate swaps.

Valuation Techniques

Valuation techniques for financial instruments measured at fair value are described below.

Fixed-Maturity Securities Held as Available-For-Sale, Investments Carried at Fair Value, Investments Pledged as Collateral and Short-term Investments

These investments include investments in U.S. Treasury and government agencies, state and municipal bonds, foreign governments, corporate obligations, MBS, ABS, money market securities, and equity investments.

Note 6: Fair Value of Financial Instruments (continued)

Substantially all of these investments are valued based on recently executed transaction prices or quoted market prices by independent third parties, including pricing services and brokers. When quoted market prices are not available, fair value is generally determined using quoted prices of similar investments or a valuation model based on observable and unobservable inputs. Inputs vary depending on the type of investment. Observable inputs include contractual cash flows, interest rate yield curves, credit default swap ("CDS") spreads, prepayment and volatility scores, diversity scores, cross-currency basis index spreads, and credit spreads for structures similar to the financial instrument in terms of issuer, maturity and seniority. Unobservable inputs include cash flow projections, the value of any credit enhancement and for certain equity investments, EBITDA multiples, discount rates, hard asset values and type certificate values.

Investments based on quoted market prices of identical investments in active markets are classified as Level 1 of the fair value hierarchy. Level 1 investments generally consist of U.S. Treasury and government agency, money market securities and equity investments. Quoted market prices of investments in less active markets, as well as investments which are valued based on other than quoted prices for which the inputs are observable, such as interest rate yield curves, are categorized in Level 2 of the fair value hierarchy. Investments that contain significant inputs that are not observable are categorized as Level 3.

Cash and Cash Equivalents

The carrying amounts of cash and cash equivalents approximate fair value due to the short-term nature and credit worthiness of these instruments and are categorized in Level 1 of the fair value hierarchy.

Loans Receivable at Fair Value

Loans receivable at fair value are assets held by consolidated VIEs consisting of residential mortgage loans and are categorized in Level 3 of the fair value hierarchy. Fair values of residential mortgage loans are determined using quoted prices for similar securities or internal cash flow models, adjusted for the fair values of the financial guarantees provided by MBIA Corp. on the related MBS. The fair values of the financial guarantees consider expected claim payments, net of recoveries, under MBIA Corp.'s policies.

Other Assets

Other assets include receivables representing the right to receive reimbursement payments on claim payments expected to be made on certain insured VIE liabilities due to risk mitigating transactions with third parties executed to effectively defease, or, in-substance commute the Company's exposure on its financial guarantee policies. The right to receive reimbursement payments is based on the value of the Company's financial guarantee determined using a cash flow model. The fair value of the financial guarantee primarily contains unobservable inputs and is categorized in Level 3 of the fair value hierarchy.

Medium-term Notes at Fair Value

The Company has elected to measure certain medium-term notes ("MTNs") at fair value on a recurring basis. The fair values of certain MTNs are based on quoted market prices provided by third-party sources, where available. When quoted market prices are not available, the Company applies a matrix pricing grid to determine fair value based on the quoted market prices received for similar instruments and considering the MTNs' stated maturity and interest rate. Nonperformance risk is included in the quoted market prices and the matrix pricing grid. MTNs are categorized in Level 3 of the fair value hierarchy and do not include accrued interest.

Note 6: Fair Value of Financial Instruments (continued)

Variable Interest Entity Debt

The fair values of VIE debt are determined based on recently executed transaction prices or quoted prices where observable. When position-specific quoted prices are not observable, fair values are based on quoted prices of similar securities or internal cash flow models. Fair values based on quoted prices of similar securities and internal cash flow models may be adjusted for factors unique to the securities, including any credit enhancement. Observable inputs include interest rate yield curves, bond spreads of similar securities and MBIA Corp.'s CDS spreads. Unobservable inputs include the value of any credit enhancement. VIE debt are categorized in Level 3 of the fair value hierarchy based on the lowest level input that is significant to the fair value measurement in its entirety.

Derivatives

The corporate segment has entered into derivative transactions primarily consisting of interest rate swaps. Fair values of over-the-counter derivatives are determined using valuation models based on observable inputs, nonperformance risk of the Company and nonperformance risk of the counterparties. Observable and market-based inputs include interest rate yields, credit spreads and volatilities. These derivatives are categorized in Level 2 of the fair value hierarchy based on the lowest level input that is significant to the fair value measurement in its entirety.

A VIE consolidated by the Company entered into a derivative instrument consisting of a cross currency swap. The cross currency swap was entered into to manage the variability in cash flows resulting from fluctuations in foreign currency rates. The fair value of the VIE derivative was determined based on the valuation provided by an independent third party, which is included in "Liabilities of consolidated variable interest entities – Derivative liabilities" on the Company's consolidated balance sheets. As the significant inputs are unobservable, the derivative contract is categorized in Level 3 of the fair value hierarchy.

Significant Unobservable Inputs

The following tables provide quantitative information regarding the significant unobservable inputs used by the Company for assets and liabilities measured at fair value on a recurring basis as of September 30, 2023 and December 31, 2022:

In millions	Fair Value as of September 30, 2023	Valuation Techniques	Unobservable Input	Range (Weighted Average)
Assets:				
Equity Investments	$ 115	Discounted cash flow	EBITDA multiples (1)	
			Discount rate (1)	
		Sum of the parts	Hard asset values (1)	
			Type certificate values (1)	
Assets of consolidated VIEs:				
Loans receivable at fair value	32	Market prices of similar liabilities or internal cash flow models adjusted for financial guarantees provided to VIE obligations	Impact of financial guarantee	32% - 32% (32%) (2)
Liabilities of consolidated VIEs:				
Variable interest entity notes	78	Market prices of VIE assets adjusted for financial guarantees provided or market prices of similar liabilities	Impact of financial guarantee	74% - 74% (74%) (2)

(1) - Range for EBITDA multiples, discount rate, hard asset values and type certificate values reflects their potential variability.

(2) - Weighted average represents the total MBIA guarantees as a percentage of total instrument fair value.

Note 6: Fair Value of Financial Instruments (continued)

In millions	Fair Value as of December 31, 2022	Valuation Techniques	Unobservable Input	Range (Weighted Average)
Assets:				
Equity Investments	$ 115	Discounted cash flow	EBITDA multiples (1)	
			Discount rate (1)	
		Sum of the parts	Hard asset values (1)	
			Type certificate values (1)	
Assets of consolidated VIEs:				
Loans receivable at fair value	78	Market prices of similar liabilities or internal cash flow models adjusted for financial guarantees provided to VIE obligations	Impact of financial guarantee	12% - 88% (52%) (2)
Liabilities of consolidated VIEs:				
Variable interest entity notes	172	Market prices of VIE assets adjusted for financial guarantees provided or market prices of similar liabilities	Impact of financial guarantee	34% - 82% (68%) (2)

(1) - Range for EBITDA multiples, discount rate, hard asset values and type certificate values reflects their potential variability.
(2) - Weighted average represents the total MBIA guarantees as a percentage of total instrument fair value.

Sensitivity of Significant Unobservable Inputs

The significant unobservable inputs used in the fair value measurement of the Company's equity investments at fair value are EBITDA multiples, the discount rate, hard asset values and type certificate values. The fair value of equity investments is determined by taking a weighted average of valuation scenarios. If there had been lower or higher EBITDA multiples, hard asset values or type certificate values, the value of equity investments would have been lower or higher, respectively. If there had been a lower or higher discount rate, the value of equity investments would have been higher or lower, respectively.

The significant unobservable input used in the fair value measurement of the Company's residential loans receivable at fair value of consolidated VIEs is the impact of the financial guarantee. The fair value of residential loans receivable is calculated by subtracting the value of the financial guarantee from the market value of similar instruments to that of the VIE liabilities or the market value derived from internal cash flow models. The value of a financial guarantee is estimated by the Company as the present value of expected cash payments, net of recoveries, under the policy. If there had been a lower expected cash flow on the underlying loans receivable of the VIE, the value of the financial guarantee provided by the Company under the insurance policy would have been higher. This would have resulted in a lower fair value of the residential loans receivable in relation to the obligations of the VIE.

The significant unobservable input used in the fair value measurement of the Company's VIE notes of consolidated VIEs is the impact of the financial guarantee. The fair value of VIE notes is calculated by adding the value of the financial guarantee to the market value of VIE assets. When the VIE note is backed by RMBS, the fair value of the VIE liability is calculated by applying the market value of similar instruments to that of the VIE liabilities or internal cash flow models. The value of a financial guarantee is estimated by the Company as the present value of expected cash payments under the policy. If the value of the guarantee provided by the Company to the obligations issued by the VIE had increased, the credit support would have added value to the liabilities of the VIE. This would have resulted in an increased fair value of the liabilities of the VIE.

Note 6: Fair Value of Financial Instruments (continued)

Fair Value Measurements

The following tables present the fair value of the Company's assets (including short-term investments) and liabilities measured and reported at fair value on a recurring basis as of September 30, 2023 and December 31, 2022:

	Fair Value Measurements at Reporting Date Using			
In millions	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of September 30, 2023
Assets:				
Fixed-maturity investments:				
U.S. Treasury and government agency	$ 379	$ 52	$ -	$ 431
State and municipal bonds	-	118	-	118
Foreign governments	-	22	-	22
Corporate obligations	-	799	1	800
Mortgage-backed securities:				
Residential mortgage-backed agency	-	183	-	183
Residential mortgage-backed non-agency	-	34	-	34
Commercial mortgage-backed	-	22	-	22
Asset-backed securities:				
Collateralized debt obligations	-	161	-	161
Other asset-backed	-	65	-	65
Total fixed-maturity investments	379	1,456	1	1,836
Money market securities	338	-	-	338
Equity investments	37	19	115	171
Cash and cash equivalents	70	-	-	70
Assets of consolidated VIEs:				
Mortgage-backed securities:				
Residential mortgage-backed non-agency	-	11	-	11
Commercial mortgage-backed	-	9	-	9
Asset-backed securities:				
Collateralized debt obligations	-	1	-	1
Other asset-backed	-	1	-	1
Cash	4	-	-	4
Loans receivable at fair value:				
Residential loans receivable	-	-	32	32
Other assets	-	-	2	2
Total assets	$ 828	$ 1,497	$ 150	$ 2,475
Liabilities:				
Medium-term notes	$ -	$ -	$ 37	$ 37
Derivative liabilities:				
Insured credit derivatives	-	1	-	1
Non-insured interest rate derivatives	-	22	-	22
Liabilities of consolidated VIEs:				
Variable interest entity notes	-	-	78	78
Currency derivatives	-	-	11	11
Total liabilities	$ -	$ 23	$ 126	$ 149

Note 6: Fair Value of Financial Instruments (continued)

In millions	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of December 31, 2022
Assets:				
Fixed-maturity investments:				
U.S. Treasury and government agency	$ 463	$ 54	$ -	$ 517
State and municipal bonds	-	323	-	323
Foreign governments	-	21	-	21
Corporate obligations	-	797	-	797
Mortgage-backed securities:				
Residential mortgage-backed agency	-	207	-	207
Residential mortgage-backed non-agency	-	95	-	95
Commercial mortgage-backed	-	24	-	24
Asset-backed securities:				
Collateralized debt obligations	-	159	-	159
Other asset-backed	-	127	-	127
Total fixed-maturity investments	463	1,807	-	2,270
Money market securities	234	-	-	234
Equity investments	38	19	115	172
Cash and cash equivalents	50	-	-	50
Assets of consolidated VIEs:				
Corporate obligations	-	4	-	4
Mortgage-backed securities:				
Residential mortgage-backed non-agency	-	22	-	22
Commercial mortgage-backed	-	9	-	9
Asset-backed securities:				
Collateralized debt obligations	-	5	-	5
Other asset-backed	-	7	-	7
Cash	16	-	-	16
Loans receivable at fair value:				
Residential loans receivable	-	-	78	78
Other assets	-	-	23	23
Total assets	$ 801	$ 1,873	$ 216	$ 2,890
Liabilities:				
Medium-term notes	-	-	41	41
Derivative liabilities:				
Non-insured interest rate derivatives	-	49	-	49
Liabilities of consolidated VIEs:				
Variable interest entity notes	-	-	172	172
Currency derivatives	-	-	6	6
Total liabilities	$ -	$ 49	$ 219	$ 268

Level 3 assets at fair value as of September 30, 2023 and December 31, 2022 represented approximately 6% and 7%, respectively, of total assets measured at fair value. Level 3 liabilities at fair value as of September 30, 2023 and December 31, 2022 represented approximately 85% and 82%, respectively, of total liabilities measured at fair value.

Note 6: Fair Value of Financial Instruments (continued)

The following tables present the fair values and carrying values of the Company's assets and liabilities that are disclosed at fair value but not reported at fair value on the Company's consolidated balance sheets as of September 30, 2023 and December 31, 2022. The majority of the financial assets and liabilities that the Company requires fair value reporting or disclosures are valued based on the Company's or a third- party's estimate of discounted cash flow model estimates, or quoted market values for identical or similar products.

	Fair Value Measurements at Reporting Date Using				
In millions	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value Balance as of September 30, 2023	Carry Value Balance as of September 30, 2023
Assets:					
Other investments	$ -	$ -	$ 3	$ 3	$ 3
Total assets	$ -	$ -	$ 3	$ 3	$ 3
Liabilities:					
Long-term debt	$ -	$ 272	$ -	$ 272	$ 2,546
Medium-term notes	-	-	286	286	457
Investment agreements	-	-	238	238	225
Liabilities of consolidated VIEs:					
Variable interest entity loans payable	-	-	3	3	3
Total liabilities	$ -	$ 272	$ 527	$ 799	$ 3,231
Financial Guarantees:					
Gross liability (recoverable)	$ -	$ -	$ 764	$ 764	$ 513
Ceded recoverable (liability)	-	-	19	19	17

	Fair Value Measurements at Reporting Date Using				
In millions	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Fair Value Balance as of December 31, 2022	Carry Value Balance as of December 31, 2022
Liabilities:					
Long-term debt	$ -	$ 330	$ -	$ 330	$ 2,428
Medium-term notes	-	-	310	310	458
Investment agreements	-	-	257	257	233
Liabilities of consolidated VIEs:					
Variable interest entity loans payable	-	-	2	2	2
Total liabilities	$ -	$ 330	$ 569	$ 899	$ 3,121
Financial Guarantees:					
Gross liability (recoverable)	$ -	$ -	$ 864	$ 864	$ 568
Ceded recoverable (liability)	-	-	21	21	15

Note 6: Fair Value of Financial Instruments (continued)

The following tables present information about changes in Level 3 assets (including short-term investments) and liabilities measured at fair value on a recurring basis for the three months ended September 30, 2023 and 2022:

Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Three Months Ended September 30, 2023

In millions	Balance, Beginning of Period	Total Gains / (Losses) Included in Earnings	Unrealized Gains / (Losses) Included in OCI(1)	Purchases	Issuances	Settlements	Sales	Transfers into Level 3	Transfers out of Level 3	Ending Balance	Change in Unrealized Gains (Losses) for the Period Included in Earnings for Assets still held as of September 30, 2023	Change in Unrealized Gains (Losses) for the Period Included in OCI for Assets still held as of September 30, 2023(1)
Assets:												
Corporate obligations	$ 1	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1	$ -	$ -
Equity investments	115	-	-	-	-	-	-	-	-	115	-	-
Assets of consolidated VIEs:												
Loans receivable - residential	70	(7)	-	-	-	(2)	(29)	-	-	32	(8)	-
Other	2	-	-	-	-	-	-	-	-	2	-	-
Total assets	$ 188	$ (7)	$ -	$ -	$ -	$ (2)	$ (29)	$ -	$ -	$ 150	$ (8)	$ -

In millions	Balance, Beginning of Period	Total (Gains) / Losses Included in Earnings	Unrealized (Gains) / Losses Included in OCI(2)	Purchases	Issuances	Settlements	Sales	Transfers into Level 3	37 Transfers out of Level 3	Ending Balance	Change in Unrealized (Gains) Losses for the Period Included in Earnings for Liabilities still held as of September 30, 2023	Change in Unrealized (Gains) Losses for the Period Included in OCI for Liabilities still held as of September 30, 2023(2)
Liabilities:												
Medium-term notes	$ 38	$ (3)	$ 2	$ -	$ -	$ -	$ -	$ -	$ -	$ 37	$ (3)	$ 2
Liabilities of consolidated VIEs:												
VIE notes	183	15	(14)	-	-	(21)	(85)	-	-	78	2	-
Currency derivatives	12	(1)	-	-	-	-	-	-	-	11	(1)	-
Total liabilities	$ 233	$ 11	$ (12)	$ -	$ -	$ (21)	$ (85)	$ -	$ -	$ 126	$ (2)	$ 2

(1) - Reported within the "Unrealized gains (losses) on available-for-sale securities" on MBIA's Consolidated Statement of Comprehensive Income/Loss.
(2) - Reported within the "Instrument-specific credit risk of liabilities measured at fair value" on MBIA's Consolidated Statement of Comprehensive Income/Loss.

Note 6: Fair Value of Financial Instruments (continued)

Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Three Months Ended September 30, 2022

In millions	Balance, Beginning of Period	Total Gains / (Losses) Included in Earnings	Unrealized Gains / (Losses) Included in OCI[1]	Purchases	Issuances	Settlements	Sales	Transfers into Level 3	Transfers out of Level 3	Ending Balance	Change in Unrealized Gains (Losses) for the Period Included in Earnings for Assets still held as of September 30, 2022	Change in Unrealized Gains (Losses) for the Period Included in OCI for Assets still held as of September 30, 2022[1]
Assets:												
Residential mortgage-backed non-agency	$ 55	$ -	$ (2)	$ 1	$ -	$ -	$ (17)	$ -	$ -	$ 37	$ -	$ (3)
Equity investments	-	-	-	101	-	-	-	-	-	101	-	-
Assets of consolidated VIEs:												
Loans receivable-residential	68	13	-	-	-	(2)	-	-	-	79	11	-
Currency derivatives	9	(9)	-	-	-	-	-	-	-	-	(9)	-
Other	16	-	-	-	-	-	-	-	-	16	-	-
Total assets	$ 148	$ 4	$ (2)	$ 102	$ -	$ (2)	$ (17)	$ -	$ -	$ 233	$ 2	$ (3)

In millions	Balance, Beginning of Period	Total (Gains) / Losses Included in Earnings	Unrealized (Gains) / Losses Included in OCI[2]	Purchases	Issuances	Settlements	Sales	Transfers into Level 3	Transfers out of Level 3	Ending Balance	Change in Unrealized (Gains) Losses for the Period Included in Earnings for Liabilities still held as of September 30, 2022	Change in Unrealized (Gains) Losses for the Period Included in OCI for Liabilities still held as of September 30, 2022[2]
Liabilities:												
Medium-term notes	$ 42	$ (8)	$ 4	$ -	$ -	$ -	$ -	$ -	$ -	$ 38	$ (8)	$ 4
Liabilities of consolidated VIEs:												
VIE notes	217	33	(25)	-	-	(52)	-	-	-	173	(2)	1
Currency derivatives	-	5	-	-	-	-	-	-	-	5	5	-
Total liabilities	$ 259	$ 30	$ (21)	$ -	$ -	$ (52)	$ -	$ -	$ -	$ 216	$ (5)	$ 5

(1) - Reported within the "Unrealized gains (losses) on available-for-sale securities" on MBIA's Consolidated Statement of Comprehensive Income/Loss.
(2) - Reported within the "Instrument-specific credit risk of liabilities measured at fair value" on MBIA's Consolidated Statement of Comprehensive Income/Loss.

For the three months ended September 30, 2023, sales include the impact of the deconsolidation of a VIE. Refer to “Note 4: Variable Interest Entities” for additional information about the deconsolidation of VIEs.

Note 6: Fair Value of Financial Instruments (continued)

For the three months ended September 30, 2023 and 2022, there were no transfers into or out of Level 3.

The following tables present information about changes in Level 3 assets (including short-term investments) and liabilities measured at fair value on a recurring basis for the nine months ended September 30, 2023 and 2022:

Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Nine Months Ended September 30, 2023

In millions	Balance Beginning of Year	Total Gains / (Losses) Included in Earnings	Unrealized Gains / (Losses) Included in OCI(1)	Purchases	Issuances	Settlements	Sales	Transfers into Level 3	Transfers out of Level 3	Ending Balance	Change in Unrealized Gains (Losses) for the Period Included in Earnings for Assets still held as of September 30, 2023	Change in Unrealized Gains (Losses) for the Period Included in OCI for Assets still held as of September 30, 2023(1)
Assets:												
Corporate obligations	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1	$ -	$ 1	$ -	$ -
Equity investments	115	-	-	-	-	-	-	-	-	115	-	-
Assets of consolidated VIEs:												
Loans receivable - residential	78	(10)	-	-	-	(7)	(29)	-	-	32	(3)	-
Other	23	3	-	-	-	-	(24)	-	-	2	(1)	-
Total assets	$ 216	$ (7)	$ -	$ -	$ -	$ (7)	$ (53)	$ 1	$ -	$ 150	$ (4)	$ -

In millions	Balance, Beginning of Year	Total (Gains) / Losses Included in Earnings	Unrealized (Gains) / Losses Included in Credit Risk in OCI(2)	Purchases	Issuances	Settlements	Sales	Transfers into Level 3	Transfers out of Level 3	Ending Balance	Change in Unrealized (Gains) Losses for the Period Included in Earnings for Liabilities still held as of September 30, 2023	Change in Unrealized (Gains) Losses for the Period Included in OCI for Liabilities still held as of September 30, 2023(2)
Liabilities:												
Medium-term notes	$ 41	$ (2)	$ (2)	$ -	$ -	$ -	$ -	$ -	$ -	$ 37	$ (2)	$ (2)
Liabilities of consolidated VIEs:												
VIE notes	172	48	(39)	-	62	(45)	(120)	-	-	78	3	1
Currency derivatives	6	5	-	-	-	-	-	-	-	11	5	-
Total liabilities	$ 219	$ 51	$ (41)	$ -	$ 62	$ (45)	$ (120)	$ -	$ -	$ 126	$ 6	$ (1)

(1) - Reported within the "Unrealized gains (losses) on available-for-sale securities" on MBIA's Consolidated Statement of Comprehensive Income/Loss.
(2) - Reported within the "Instrument-specific credit risk of liabilities measured at fair value" on MBIA's Consolidated Statement of Comprehensive Income/Loss.

Note 6: Fair Value of Financial Instruments (continued)

Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis for the Nine Months Ended September 30, 2022

In millions	Balance, Beginning of Year	Total Gains / (Losses) Included in Earnings	Unrealized Gains / (Losses) Included in OCI[1]	Purchases	Issuances	Settlements	Sales	Transfers into Level 3	Transfers out of Level 3	Ending Balance	Change in Unrealized Gains (Losses) for the Period Included in Earnings for Assets still held as of September 30, 2022	Change in Unrealized Gains (Losses) for the Period Included in Earnings for Assets still held as of September 30, 2022[1]
Assets:												
Residential mortgage-backed non-agency	$ -	$ -	$ (6)	$ 60	$ -	$ -	$ (17)	$ -	$ -	$ 37	$ -	$ -
Equity securities	-	-	-	101	-	-	-	-	-	101	-	-
Assets of consolidated VIEs:												
Collateralized debt obligations	4	-	-	-	-	(4)	-	-	-	-	-	-
Loans receivable - residential	77	8	-	-	-	(6)	-	-	-	79	2	-
Currency derivatives	9	(9)	-	-	-	-	-	-	-	-	(9)	-
Other	14	2	-	-	-	-	-	-	-	16	2	-
Total assets	$ 104	$ 1	$ (6)	$ 161	$ -	$ (10)	$ (17)	$ -	$ -	$ 233	$ (5)	$ -

In millions	Balance, Beginning of Year	Total (Gains) / Losses Included in Earnings	Unrealized (Gains) / Losses Included in OCI[2]	Purchases	Issuances	Settlements	Sales	Transfers into Level 3	Transfers out of Level 3	Ending Balance	Change in Unrealized (Gains) Losses for the Period Included in Earnings for Liabilities still held as of September 30, 2022	Change in Unrealized (Gains) Losses for the Period Included in OCI for Liabilities still held as of September 30, 2022[2]
Liabilities:												
Medium-term notes	$ 98	$ (29)	$ 17	$ -	$ -	$ (48)	$ -	$ -	$ -	$ 38	$ (28)	$ 18
Liabilities of consolidated VIEs:												
VIE notes	291	8	(6)	-	-	(120)	-	-	-	173	(9)	4
Currency derivatives	-	5	-	-	-	-	-	-	-	5	5	-
Total liabilities	$ 389	$ (16)	$ 11	$ -	$ -	$ (168)	$ -	$ -	$ -	$ 216	$ (32)	$ 22

(1) - Reported within the "Unrealized gains (losses) on available-for-sale securities" on MBIA's Consolidated Statement of Comprehensive Income/Loss.
(2) - Reported within the "Instrument-specific credit risk of liabilities measured at fair value" on MBIA's Consolidated Statement of Comprehensive Income/Loss.

For the nine months ended September 30, 2023, sales include the impact of the deconsolidation of VIEs. Refer to “Note 4: Variable Interest Entities” for additional information about the deconsolidation of VIEs.

For the nine months ended September 30, 2023, transfers into Level 3 and out of Level 2 were related to corporate obligations, where inputs, which are significant to their valuation, became unobservable during the year. These inputs included spreads, prepayment speeds, default speeds, default severities, yield curves observable at commonly quoted intervals, and market corroborated inputs. There were no transfers out of Level 3.

For the nine months ended September 30, 2022, there were no transfers into or out of Level 3.

Note 6: Fair Value of Financial Instruments (continued)

Gains and losses (realized and unrealized) included in earnings related to Level 3 assets and liabilities for the three months ended September 30, 2023 and 2022 are reported on the Company's consolidated statements of operations as follows:

In millions	Three Months Ended September 30, 2023: Total Gains (Losses) Included in Earnings	Three Months Ended September 30, 2023: Change in Unrealized Gains (Losses) for the Period Included in Earnings for Assets and Liabilities still held as of September 30, 2023	Three Months Ended September 30, 2022: Total Gains (Losses) Included in Earnings	Three Months Ended September 30, 2022: Change in Unrealized Gains (Losses) for the Period Included in Earnings for Assets and Liabilities still held as of September 30, 2022
Revenues:				
Net gains (losses) on financial instruments at fair value and foreign exchange	$ 3	$ 3	$ 8	$ 8
Revenues of consolidated VIEs:				
Net gains (losses) on financial instruments at fair value and foreign exchange	(14)	(9)	(34)	(1)
Other net realized gains (losses)	(7)	-	-	-
Total	$ (18)	$ (6)	$ (26)	$ 7

Gains and losses (realized and unrealized) included in earnings relating to Level 3 assets and liabilities for the nine months ended September 30, 2023 and 2022 are reported on the Company's consolidated statements of operations as follows:

In millions	Nine Months Ended September 30, 2023: Total Gains (Losses) Included in Earnings	Nine Months Ended September 30, 2023: Change in Unrealized Gains (Losses) for the Period Included in Earnings for Assets and Liabilities still held as of September 30, 2023	Nine Months Ended September 30, 2022: Total Gains (Losses) Included in Earnings	Nine Months Ended September 30, 2022: Change in Unrealized Gains (Losses) for the Period Included in Earnings for Assets and Liabilities still held as of September 30, 2022
Revenues:				
Net gains (losses) on financial instruments at fair value and foreign exchange	$ 2	$ 2	$ 29	$ 28
Revenues of consolidated VIEs:				
Net gains (losses) on financial instruments at fair value and foreign exchange	(32)	(12)	(12)	(1)
Other net realized gains (losses)	(28)	-	-	-
Total	$ (58)	$ (10)	$ 17	$ 27

Fair Value Option

The Company elected to record at fair value certain financial instruments, including certain equity investments and financial instruments that are consolidated in connection with the adoption of the accounting guidance for consolidation of VIEs.

Note 6: Fair Value of Financial Instruments (continued)

The following table presents the gains and (losses) included in the Company's consolidated statements of operations for the three and nine months ended September 30, 2023 and 2022 for financial instruments for which the fair value option was elected:

In millions	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Investments carried at fair value [(1)]	$ (2)	$ (7)	$ 1	$ (33)
Fixed-maturity securities held at fair value-VIE [(3)]	-	(1)	(4)	(4)
Loans receivable at fair value:				
Residential mortgage loans [(2)]	(7)	13	(10)	8
Other assets-VIE [(3)]	-	-	3	2
Medium-term notes [(1)]	3	8	2	29
Variable interest entity notes [(3)]	(15)	(35)	(48)	(12)

(1) - Reported within "Net gains (losses) on financial instruments at fair value and foreign exchange" on MBIA's consolidated statements of operations.
(2) - Reported within "Net gains (losses) on financial instruments at fair value and foreign exchange-VIE" on MBIA's consolidated statements of operations.
(3) - Reported within "Net gains (losses) on financial instruments at fair value and foreign exchange-VIE" and "Other net realized gains (losses)-VIE" on MBIA's consolidated statements of operations.

The following table reflects the difference between the aggregate fair value and the aggregate remaining contractual principal balance outstanding as of September 30, 2023 and December 31, 2022 for loans and notes for which the fair value option was elected:

	As of September 30, 2023			As of December 31, 2022		
In millions	Contractual Outstanding Principal	Fair Value	Difference	Contractual Outstanding Principal	Fair Value	Difference
Loans receivable at fair value:						
Residential mortgage loans - current	$ 18	$ 18	$ -	$ 39	$ 39	$ -
Residential mortgage loans (90 days or more past due)	57	14	43	149	39	110
Total loans receivable and other instruments at fair value	$ 75	$ 32	$ 43	$ 188	$ 78	$ 110
Variable interest entity notes	$ 329	$ 78	$ 251	$ 780	$ 172	$ 608
Medium-term notes	$ 53	$ 37	$ 16	$ 53	$ 41	$ 12

The differences between the contractual outstanding principal and the fair values on loans receivable, VIE notes and MTNs in the preceding table are primarily attributable to credit risk. This is due to the high rate of defaults on loans (90 days or more past due), the collateral supporting the VIE notes and the nonperformance risk of the Company on its MTNs, all of which resulted in depressed pricing of the financial instruments.

Instrument-Specific Credit Risk of Liabilities Elected Under the Fair Value Option

As of September 30, 2023 and December 31, 2022, the cumulative changes in instrument-specific credit risk of liabilities elected under the fair value option were losses of $4 million and $45 million, respectively, reported in “Accumulated other comprehensive income” on the Company’s consolidated balance sheets. Changes in value attributable to instrument-specific credit risk were derived principally from changes in the Company’s credit spread. For liabilities of VIEs, additional adjustments to instrument-specific credit risk are required, which is determined by an analysis of deal specific performance of collateral that support these liabilities. During the three months ended September 30, 2023 and 2022, the portions of instrument-specific credit risk included in AOCI that were recognized in earnings due to settlement of liabilities were losses of $11 million and $23 million, respectively. During the nine months ended September 30, 2023 and 2022, the portions of instrument-specific credit risk included in AOCI that were recognized in earnings due to settlement of liabilities were losses of $45 million and $11 million, respectively.

Note 7: Investments

Investments, excluding equity instruments, those elected under the fair value option and those classified as trading, primarily consist of debt instruments classified as available-for-sale ("AFS").

The following tables present the amortized cost, allowance for credit losses, corresponding gross unrealized gains and losses and fair value for AFS investments in the Company's consolidated investment portfolio as of September 30, 2023 and December 31, 2022:

	September 30, 2023				
In millions	Amortized Cost	Allowance for Credit Losses	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
AFS Investments					
Fixed-maturity investments:					
U.S. Treasury and government agency	$ 462	$ -	$ 1	$ (41)	$ 422
State and municipal bonds	131	-	1	(15)	117
Foreign governments	25	-	1	(4)	22
Corporate obligations	884	-	-	(158)	726
Mortgage-backed securities:					
Residential mortgage-backed agency	197	-	-	(26)	171
Residential mortgage-backed non-agency	33	-	-	(7)	26
Commercial mortgage-backed	22	-	-	(1)	21
Asset-backed securities:					
Collateralized debt obligations	114	-	1	(2)	113
Other asset-backed	46	-	-	(3)	43
Total AFS investments	$ 1,914	$ -	$ 4	$ (257)	$ 1,661

Note 7: Investments (continued)

	December 31, 2022				
In millions	Amortized Cost	Allowance for Credit Losses	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
AFS Investments					
Fixed-maturity investments:					
U.S. Treasury and government agency	$ 541	$ -	$ 5	$ (38)	$ 508
State and municipal bonds	173	-	2	(11)	164
Foreign governments	23	-	-	(3)	20
Corporate obligations	862	-	1	(148)	715
Mortgage-backed securities:					
Residential mortgage-backed agency	217	-	-	(22)	195
Residential mortgage-backed non-agency	96	-	3	(11)	88
Commercial mortgage-backed	24	-	-	(1)	23
Asset-backed securities:					
Collateralized debt obligations	117	-	-	(5)	112
Other asset-backed	110	-	-	(4)	106
Total AFS investments	$ 2,163	$ -	$ 11	$ (243)	$ 1,931

The following table presents the distribution by contractual maturity of AFS fixed-maturity securities at amortized cost, net of allowance for credit losses, and fair value as of September 30, 2023. Contractual maturity may differ from expected maturity as borrowers may have the right to call or prepay obligations.

	AFS Securities	
In millions	Net Amortized Cost	Fair Value
Due in one year or less	$ 172	$ 172
Due after one year through five years	379	364
Due after five years through ten years	280	233
Due after ten years	671	518
Mortgage-backed and asset-backed	412	374
Total fixed-maturity investments	$ 1,914	$ 1,661

Note 7: Investments (continued)

Deposited and Pledged Securities

The fair value of securities on deposit with various regulatory authorities as of September 30, 2023 and December 31, 2022 was $10 million. These deposits are required to comply with state insurance laws.

Investment agreement obligations require the Company to pledge securities as collateral. Securities pledged in connection with investment agreements may not be repledged by the investment agreement counterparty. As of September 30, 2023 and December 31, 2022, the fair value of securities pledged as collateral for these investment agreements were $209 million and $251 million, respectively. The Company's collateral as of September 30, 2023 consisted principally of U.S. Treasury and government agency and corporate obligations, and was primarily held with major U.S. banks.

Refer to "Note 8: Derivative Instruments" for information about securities posted to derivative counterparties.

Impaired Investments

The following tables present the non-credit related gross unrealized losses related to AFS investments as of September 30, 2023 and December 31, 2022:

	September 30, 2023					
	Less than 12 Months		12 Months or Longer		Total	
In millions	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
AFS Investments						
Fixed-maturity investments:						
U.S. Treasury and government agency	$ 64	$ (3)	$ 196	$ (38)	$ 260	$ (41)
State and municipal bonds	48	(3)	54	(12)	102	(15)
Foreign governments	5	-	8	(4)	13	(4)
Corporate obligations	192	(5)	500	(153)	692	(158)
Mortgage-backed securities:						
Residential mortgage-backed agency	13	-	132	(26)	145	(26)
Residential mortgage-backed non-agency	3	-	22	(7)	25	(7)
Commercial mortgage-backed	11	(1)	7	-	18	(1)
Asset-backed securities:						
Collateralized debt obligations	9	-	101	(2)	110	(2)
Other asset-backed	3	-	34	(3)	37	(3)
Total AFS investments	$ 348	$ (12)	$ 1,054	$ (245)	$ 1,402	$ (257)

Note 7: Investments (continued)

	December 31, 2022					
	Less than 12 Months		12 Months or Longer		Total	
In millions	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
AFS Investments						
Fixed-maturity investments:						
U.S. Treasury and government agency	$ 266	$ (34)	$ 29	$ (4)	$ 295	$ (38)
State and municipal bonds	92	(10)	1	(1)	93	(11)
Foreign governments	9	(3)	-	-	9	(3)
Corporate obligations	508	(106)	141	(42)	649	(148)
Mortgage-backed securities:						
Residential mortgage-backed agency	112	(9)	65	(13)	177	(22)
Residential mortgage-backed non-agency	65	(10)	2	(1)	67	(11)
Commercial mortgage-backed	18	(1)	1	-	19	(1)
Asset-backed securities:						
Collateralized debt obligations	51	(1)	60	(4)	111	(5)
Other asset-backed	44	(3)	24	(1)	68	(4)
Total AFS investments	$ 1,165	$ (177)	$ 323	$ (66)	$ 1,488	$ (243)

Gross unrealized losses on AFS investments increased as of September 30, 2023 compared with December 31, 2022 primarily due to higher interest rates, partially offset by tighter credit spreads.

With the weighting applied on the fair value of each security relative to the total fair value, the weighted average contractual maturity of securities in an unrealized loss position as of September 30, 2023 and December 31, 2022 was 13 and 14 years, respectively. As of September 30, 2023 and December 31, 2022, there were 589 and 210 securities, respectively, that were in an unrealized loss position for a continuous twelve- month period or longer, of which, fair values of 509 and 190 securities, respectively, were below book value by more than 5%.

The following table presents the distribution of securities in an unrealized loss position for a continuous twelve-month period or longer where fair value was below book value by more than 5% as of September 30, 2023:

	AFS Securities		
Percentage of Fair Value Below Book Value	Number of Securities	Book Value (in millions)	Fair Value (in millions)
> 5% to 15%	194	$ 336	$ 304
> 15% to 25%	153	386	309
> 25% to 50%	159	373	244
> 50%	3	5	2
Total	509	$ 1,100	$ 859

Note 7: Investments (continued)

As of September 30, 2023, the Company concluded that it does not have the intent to sell securities in an unrealized loss position and it is more likely than not, that it would not have to sell these securities before recovery of their cost basis. In making this conclusion, the Company examined the cash flow projections for its investment portfolios, the potential sources and uses of cash in its businesses, and the cash resources available to its business other than sales of securities. It also considered the existence of any risk management or other plans as of September 30, 2023 that would require the sale of impaired securities. For the three and nine months ended September 30, 2023, impairment loss due to intent to sell securities in an unrealized position was $8 million and reported in "Other net realized gains (losses)" on the Company's consolidated results of operations. For the three and nine months ended September 30, 2022, impairment loss due to intent to sell securities in an unrealized loss position was $2 million and $21 million, respectively, and reported in “Other net realized gains (losses)” on the Company’s consolidated results of operations. For the three months ended September 30, 2022, the impairment loss was previously recognized as an allowance for credit loss, but was impaired to fair value during the third quarter of 2022 due to the intent to sell these securities.

Credit Losses on Investments

The Company’s fixed-maturity securities for which fair value is less than amortized cost are reviewed quarterly in order to determine whether a credit loss exists. If the Company determines that the declines in the fair value are related to credit loss, the Company will establish an allowance for credit losses and recognize the credit component through earnings. Refer to “Note 8: Investments” in the Notes to Consolidated Financial Statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2022 for a discussion of the Company’s policy for its determination of credit losses. The Company did not purchase any credit-deteriorated assets for the nine months ended September 30, 2023.

Allowance for Credit Losses Rollforward for AFS

The following tables present the rollforward of allowance for credit losses on AFS investments for the three and nine months ended September 30, 2022. The additions to the allowance for credit losses for the nine months ended September 30, 2022 were related to concerns on an issuer’s credit deterioration as a result of the Ukraine and Russia conflict. In the third quarter of 2022, these securities were impaired to fair value due to the Company's intent to sell and the credit losses were reversed. The Company did not establish an allowance for credit losses for AFS securities for the three or nine months ended September 30, 2023.

	Three Months Ended September 30, 2022								
In millions	Balance as of June 30, 2022	Additions not previously recorded	Additions arising from PCD Assets	Reductions from Securities Sold	Reductions-Intent to sell or MLTN	Change in Allowance Previously Recorded	Write Offs	Recoveries	Balance as of September 30, 2022
AFS Investments									
Fixed-maturity investments:									
Corporate obligations	$ 3	$ -	$ -	$ -	$ 3	$ -	$ -	$ -	$ -
Total Allowance on AFS investments	$ 3	$ -	$ -	$ -	$ 3	$ -	$ -	$ -	$ -

	Nine Months Ended September 30, 2022								
In millions	Balance as of December 31, 2021	Additions not previously recorded	Additions arising from PCD Assets	Reductions from Securities Sold	Reductions-Intent to sell or MLTN	Change in Allowance Previously Recorded	Write Offs	Recoveries	Balance as of September 30, 2022
AFS Investments									
Fixed-maturity investments:									
Corporate obligations	$ -	$ 3	$ -	$ -	$ 3	$ -	$ -	$ -	$ -
Total Allowance on AFS investments	$ -	$ 3	$ -	$ -	$ 3	$ -	$ -	$ -	$ -

The Company does not recognize credit losses on securities insured by MBIA Corp. and National since those securities, whether or not owned by the Company, are evaluated for impairments in accordance with its loss reserving policy. The following table provides information about securities held by the Company as of September 30, 2023 that were in an unrealized loss position and insured by a financial guarantor, along with the amount of insurance loss reserves corresponding to the par amount owned by the Company. The Company did not hold any securities in an unrealized loss position that were insured by a third-party financial guarantor as of September 30, 2023.

Note 7: Investments (continued)

In millions	Fair Value	Unrealized Loss	Insurance Loss Reserve [1]
Mortgage-backed	$ 16	$ (5)	$ 20
Corporate obligations	77	(42)	-
Other	7	-	-
Total	$ 100	$ (47)	$ 20

[1] - Insurance loss reserve estimates are based on the proportion of par value owned to the total amount of par value insured and are discounted using a discount rate equal to the risk-free rate applicable to the currency and weighted average remaining life of the insurance contract and may differ from the fair value.

Sales of Available-for-Sale Investments

Gross realized gains and losses from sales of AFS investments are recorded within "Net realized investment gains (losses)"on the Company's consolidated statements of operations. The proceeds and the gross realized gains and losses from sales of fixed-maturity securities held as AFS for the three and nine months ended September 30, 2023 and 2022 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
In millions	2023	2022	2023	2022
Proceeds from sales	$ 108	$ 339	$ 380	$ 859
Gross realized gains	$ -	$ 2	$ 1	$ 3
Gross realized losses	$ (13)	$ (17)	$ (24)	$ (42)

Equity and Trading Investments

Equity and trading investments are included within "Investments carried at fair value" on the Company's consolidated balance sheets. Unrealized gains and losses recognized on equity and trading investments held as of the end of each period for the three and nine months ended September 30, 2023 and 2022 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
In millions	2023	2022	2023	2022
Net gains (losses) recognized during the period on equity and trading securities	$ (1)	$ (3)	$ 2	$ (31)
Less:				
Net gains (losses) recognized during the period on equity and trading securities sold during the period	(1)	(6)	(1)	(6)
Unrealized gains (losses) recognized during the period on equity and trading securities still held at the reporting date	$ -	$ 3	$ 3	$ (25)

Note 8: Derivative Instruments

The Company has primarily entered into derivative instruments consisting of interest rate swaps to manage the risks associated with fluctuations in interest rates affecting the value of certain assets in the corporate segment. Additionally, the Company has insured interest rate swaps and inflation-linked swaps related to its insured debt issuances in the U.S. public finance insurance and the international and structured finance insurance segments. These derivatives do not qualify for the financial guarantee scope exception and are accounted for as derivative instruments. The Company's international and structured finance insurance segment consolidated a VIE which is party to a cross currency swap, entered into to manage the variability in cash flows resulting from fluctuations in foreign currency rates.

Note 8: Derivative Instruments (continued)

Credit Derivatives Sold

The following tables present information about credit derivatives sold by the Company's insurance operations that were outstanding as of September 30, 2023 and December 31, 2022. Credit ratings represent the lower of underlying ratings assigned to the collateral by Moody's Investor Services ("Moody's"), Standard& Poor's Financial Services, LLC ("S&P") or MBIA.

$ in millions	As of September 30, 2023							
	Notional Value							
Credit Derivatives Sold	Weighted Average Remaining Expected Maturity	AAA	AA	A	BBB	Below Investment Grade	Total Notional	Fair Value Asset (Liability)
Insured swaps	13.5 Years	$ -	$ 43	$ 970	$ 210	$ 60	$ 1,283	$ (1)
Total fair value		$ -	$ -	$ -	$ -	$ (1)		$ (1)

$ in millions	As of December 31, 2022							
	Notional Value							
Credit Derivatives Sold	Weighted Average Remaining Expected Maturity	AAA	AA	A	BBB	Below Investment Grade	Total Notional	Fair Value Asset (Liability)
Insured swaps	13.7 Years	$ -	$ 50	$ 1,013	$ 227	$ 60	$ 1,350	$ -
Total fair value		$ -	$ -	$ -	$ -	$ -		$ -

Note 8: Derivative Instruments (continued)

Internal credit ratings assigned by MBIA on the underlying credit exposures are assigned by the Company's surveillance group. In assigning an internal rating, current status reports from issuers and trustees, as well as publicly available transaction-specific information, are reviewed. The maximum potential amount of future payments (undiscounted) on insured swaps that are primarily insured interest rate swaps is estimated as the net interest settlements plus principal payments where applicable, on amortizing swaps.

MBIA may hold recourse provisions through subrogation rights of the swap counterparty, whereby if MBIA makes a claim payment, it may be entitled to receive net swap settlements from the issuer under the swap agreement.

Counterparty Credit Risk

The Company manages counterparty credit risk on an individual counterparty basis through master netting agreements covering derivative instruments in the corporate segment. These agreements allow the Company to contractually net amounts due from a counterparty with those amounts due to such counterparty when certain triggering events occur. The Company only executes swaps under master netting agreements, which typically contain mutual credit downgrade provisions that generally provide the ability to require assignment or termination in the event either MBIA or the counterparty is downgraded below a specified credit rating.

Under these agreements, the Company may receive or provide cash, U.S. Treasury or other highly rated securities to secure counterparties' exposure to the Company or its exposure to counterparties, respectively. Such collateral is available to the holder to pay for replacing the counterparty in the event that the counterparty defaults. As of September 30, 2023 and December 31, 2022, the Company did not hold or post cash collateral to derivative counterparties.

As of September 30, 2023 and December 31, 2022, the Company had securities with a fair value of $40 million and $73 million, respectively, posted to derivative counterparties, and these amounts are included within "Fixed-maturity securities held as available-for-sale, at fair value" on the Company's consolidated balance sheets.

Note 8: Derivative Instruments (continued)

As of September 30, 2023 and December 31, 2022, the fair value on one Credit Support Annex (“CSA”) was a liability of $1 million. This CSA governs collateral posting requirements between MBIA and its derivative counterparties. The Company did not receive collateral due to the Company’s credit rating, which was below the CSA minimum credit ratings level for holding counterparty collateral. As of September 30, 2023 and December 31, 2022, the counterparty was rated Aa3 by Moody’s and A+ by S&P.

Financial Statement Presentation

The fair value of amounts recognized for eligible derivative contracts executed with the same counterparty under a master netting agreement, including any cash collateral that may have been received or posted by the Company, is presented on a net basis in accordance with accounting guidance for the offsetting of fair value amounts related to derivative instruments. Insured swaps are not subject to master netting agreements. VIE derivative assets and liabilities are not presented net of any master netting agreements. Counterparty netting of derivative assets and liabilities offsets balances in “Interest rate swaps”, when applicable.

The following tables present the total fair value of the Company’s derivative assets and liabilities by instrument and balance sheet location, before counterparty netting, as of September 30, 2023 and December 31, 2022:

In millions	September 30, 2023				
		Derivative Assets [1]		Derivative Liabilities [1]	
Derivative Instruments	**Notional Amount Outstanding**	**Balance Sheet Location**	**Fair Value**	**Balance Sheet Location**	**Fair Value**
Not designated as hedging instruments:					
Insured swaps	$ 1,283	Other assets	$ -	Derivative liabilities	$ (1)
Interest rate swaps	323	Other assets	-	Derivative liabilities	(22)
Interest rate swaps-embedded	193	Medium-term notes	1	Medium-term notes	-
Currency swaps-VIE	13	Other assets-VIE	-	Derivative liabilities-VIE	(11)
Total non-designated derivatives	$ 1,812		$ 1		$ (34)

(1) - In accordance with the accounting guidance for derivative instruments and hedging activities, the balance sheet location of the Company’s embedded derivative instruments is determined by the location of the related host contract.

In millions	December 31, 2022				
		Derivative Assets [1]		Derivative Liabilities [1]	
Derivative Instruments	**Notional Amount Outstanding**	**Balance Sheet Location**	**Fair Value**	**Balance Sheet Location**	**Fair Value**
Not designated as hedging instruments:					
Insured swaps	$ 1,350	Other assets	$ -	Derivative liabilities	$ -
Interest rate swaps	380	Other assets	-	Derivative liabilities	(49)
Interest rate swaps-embedded	194	Medium-term notes	1	Medium-term notes	(2)
Currency swaps-VIE	36	Other assets-VIE	-	Derivative liabilities-VIE	(6)
Total non-designated derivatives	$ 1,960		$ 1		$ (57)

(1) - In accordance with the accounting guidance for derivative instruments and hedging activities, the balance sheet location of the Company’s embedded derivative instruments is determined by the location of the related host contract.

Note 8: Derivative Instruments (continued)

The following table presents the effect of derivative instruments on the consolidated statements of operations for the three months ended September 30, 2023 and 2022:

In millions Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivative	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022
Interest rate swaps	Net gains (losses) on financial instruments at fair value and foreign exchange	$ 20	$ 23
Currency swaps-VIE	Net gains (losses) on financial instruments at fair value and foreign exchange-VIE	2	(14)
Total		$ 22	$ 9

The following table presents the effect of derivative instruments on the consolidated statements of operations for the nine months ended September 30, 2023 and 2022:

In millions Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivative	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Insured swaps	Net gains (losses) on financial instruments at fair value and foreign exchange	$ -	$ 1
Interest rate swaps	Net gains (losses) on financial instruments at fair value and foreign exchange	21	79
Currency swaps-VIE	Net gains (losses) on financial instruments at fair value and foreign exchange-VIE	(4)	(14)
Total		$ 17	$ 66

Note 9: Income Taxes

The Company's income taxes and the related effective tax rates for the three and nine months ended September 30, 2023 and 2022 are as follows:

In millions	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Income (loss) from continuing operations before income taxes	$ (185)	$ (35)	$ (346)	$ (144)
Provision (benefit) for income taxes	$ -	$ -	$ -	$ -
Effective tax rate	0.0%	0.0%	0.0%	0.0%

For the nine months ended September 30, 2023 and 2022, the Company's effective tax rate applied to its loss from continuing operations before income taxes was lower than the U.S. statutory tax rate due to the full valuation allowance on the changes in its net deferred tax asset.

Deferred Tax Asset, Net of Valuation Allowance

The Company assesses the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of its existing deferred tax assets. A significant piece of objective negative evidence evaluated was the Company having a three-year cumulative loss. Such objective evidence limits the ability to consider other subjective evidence, such as the Company's projections of pre-tax income. On the basis of this evaluation, the Company has recorded a full valuation allowance against its net deferred tax asset of $1.2 billion as of September 30, 2023 and December 31, 2022. The Company will continue to analyze the valuation allowance on a quarterly basis.

Net operating losses ("NOLs") of property and casualty insurance companies are permitted to be carried back two years and carried forward 20 years. NOLs of property and casualty insurance companies are not subject to the 80 percent taxable income limitation and indefinite lived carryforward period required by the Tax Cuts and Jobs Act applicable to general corporate NOLs.

Note 9: Income Taxes (continued)

Accounting for Uncertainty in Income Taxes

The Company's policy is to record and disclose any change in unrecognized tax benefit ("UTB") and related interest and/or penalties to income tax in the consolidated statements of operations. The Company includes interest as a component of income tax expense. As of September 30, 2023 and December 31, 2022, the Company had no UTB.

Federal income tax returns through 2011 have been examined or surveyed. As of September 30, 2023, the Company's NOL is approximately $4.1 billion. NOLs generated prior to tax reform and property and casualty NOLs generated after tax reform will expire between tax years 2026 through 2043. As of September 30, 2023, the Company has a foreign tax credit carryforward of $58 million, which will expire between tax years 2023 through 2033.

Section 382 of the Internal Revenue Code

Included in the Company's Amended By-Laws are restrictions on certain acquisitions of Company stock that otherwise may have increased the likelihood of an ownership change within the meaning of Section 382 of the Internal Revenue Code. With certain exceptions, the By-Laws generally prohibit a person from becoming a "Section 382 five-percent shareholder" by acquiring, directly or by attribution, 5% or more of the outstanding shares of the Company's common stock.

Inflation Reduction Act

On August 16, 2022, the Inflation Reduction Act ("IRA") was signed into law and includes several tax changes, notably a new 15% minimum tax on the book income of large corporations and a 1% excise tax on most stock buybacks. The IRA will not have a material impact on the Company's financial results.

Note 10: Business Segments

As defined by segment reporting, an operating segment is a component of a company (i) that engages in business activities from which it earns revenue and incurs expenses, (ii) whose operating results are regularly reviewed by the Chief Operating Decision Maker to assess the performance of the segment and to make decisions about the allocation of resources to the segment and, (iii) for which discrete financial information is available.

The Company manages its businesses across three operating segments: 1) U.S. public finance insurance; 2) corporate; and 3) international and structured finance insurance. The Company's U.S. public finance insurance business is operated through National and its international and structured finance insurance business is operated through MBIA Corp.

The following sections provide a description of each of the Company's reportable operating segments.

U.S. Public Finance Insurance

The Company's U.S. public finance insurance portfolio is managed through National. The financial guarantees issued by National provide unconditional and irrevocable guarantees of the payment of the principal of, and interest or other amounts owing on, U.S. public finance insured obligations when due. The obligations are not subject to acceleration, except that National may have the right, at its discretion, to accelerate insured obligations upon default or otherwise. National's guarantees insure municipal bonds, including tax-exempt and taxable indebtedness of U.S. political subdivisions, as well as utilities, airports, health care institutions, higher educational facilities, housing authorities and other similar agencies and obligations issued by private entities that finance projects that serve a substantial public purpose. Municipal bonds and privately issued bonds used for the financing of public purpose projects are generally supported by taxes, assessments, fees or tariffs related to the use of these projects, lease payments or other similar types of revenue streams.

Notes 10: Business Segments (continued)

Corporate

The Company's corporate segment consists of general corporate activities, including providing support services to MBIA Inc.'s subsidiaries as well as asset and capital management. Support services are provided by the Company's service company, MBIA Services, and include, among others, management, legal, accounting, treasury, information technology, and insurance portfolio surveillance, on a fee-for-service basis. Capital management includes activities related to servicing obligations issued by MBIA Inc. and its subsidiary, MBIA Global Funding, LLC ("GFL"). MBIA Inc. issued debt to finance the operations of the MBIA group. GFL raised funds through the issuance of MTNs with varying maturities, which were in turn guaranteed by MBIA Corp. GFL lent the proceeds of these MTN issuances to MBIA Inc. MBIA Inc. also provided customized investment agreements, guaranteed by MBIA Corp., for bond proceeds and other public funds for such purposes as construction, loan origination, escrow and debt service or other reserve fund requirements. The Company has ceased issuing new MTNs and investment agreements and the outstanding liability balances and corresponding asset balances have declined over time as liabilities matured, terminated or were called or repurchased. All of the debt within the corporate segment is managed collectively and is serviced by available liquidity.

International and Structured Finance Insurance

The Company's international and structured finance insurance segment is principally conducted through MBIA Corp. The financial guarantees issued by MBIA Corp. generally provide unconditional and irrevocable guarantees of the payment of principal of, and interest or other amounts owing on, non-U.S. public finance and global structured finance insured obligations when due, or in the event MBIA Corp. has the right, at its discretion, to accelerate insured obligations upon default or otherwise. MBIA Corp. insures non-U.S. public finance and global structured finance obligations, including asset-backed obligations. MBIA Corp. has insured sovereign-related and sub- sovereign bonds, utilities, privately issued bonds used for the financing of projects that include toll roads, bridges, public transportation facilities, and other types of infrastructure projects serving a substantial public purpose. Global structured finance and asset-backed obligations typically are securities repayable from expected cash flows generated by a specified pool of assets, such as residential and commercial mortgages, structured settlements, consumer loans, and corporate loans and bonds. MBIA Corp. insures the investment contracts written by MBIA Inc., and if MBIA Inc. were to have insufficient assets to pay amounts due upon maturity or termination, MBIA Corp. would make such payments. MBIA Insurance Corporation also insures debt obligations of GFL. MBIA Corp. has also written policies guaranteeing obligations under certain derivative contracts, including termination payments that may become due upon certain insolvency or payment defaults of the financial guarantor or the issuer. MBIA Corp. has not written any meaningful amount of business since 2008.

Note 10: Business Segments (continued)

Segments Results

The following tables provide the Company's segment results for the three months ended September 30, 2023 and 2022:

	Three Months Ended September 30, 2023				
In millions	U.S. Public Finance Insurance	Corporate	International and Structured Finance Insurance	Eliminations	Consolidated
Revenues [1]	$ 15	$ (1)	$ 4	$ (1)	$ 17
Net gains (losses) on financial instruments at fair value and foreign exchange	(1)	23	(1)	-	21
Revenues of consolidated VIEs	-	-	(30)	-	(30)
Inter-segment revenues [2]	6	13	1	(20)	-
Total revenues	20	35	(26)	(21)	8
Losses and loss adjustment	143	-	(20)	-	123
Amortization of deferred acquisition costs and operating	-	11	3	2	16
Interest	-	13	40	-	53
Expenses of consolidated VIEs	-	-	1	-	1
Inter-segment expenses [2]	11	7	5	(23)	-
Total expenses	154	31	29	(21)	193
Income (loss) from continuing operations before income taxes	$ (134)	$ 4	$ (55)	$ -	$ (185)
Identifiable assets per segment	$ 2,379	$ 564	$ 978	$ (1,005) [3]	$ 2,916
Assets held for sale	-	-	-	-	74
Total identifiable assets	$ 2,379	$ 564	$ 978	$ (1,005)	$ 2,990

(1) - Consists of net premiums earned, net investment income, net realized investment gains (losses), fees and reimbursements and other net realized gains (losses).
(2) - Primarily represents intercompany service charges and intercompany net investment income and expenses.
(3) - Consists principally of intercompany reinsurance balances.

Note 10: Business Segments (continued)

In millions	Three Months Ended September 30, 2022 U.S. Public Finance Insurance	Corporate	International and Structured Finance Insurance	Eliminations	Consolidated
Revenues [1]	$ 17	$ (3)	$ 9	$ -	$ 23
Net gains (losses) on financial instruments at fair value and foreign exchange	(6)	35	(4)	-	25
Revenues of consolidated VIEs	-	-	(31)	-	(31)
Inter-segment revenues [2]	6	12	2	(20)	-
Total revenues	17	44	(24)	(20)	17
Losses and loss adjustment	16	-	(28)	-	(12)
Amortization of deferred acquisition costs and operating	2	12	2	-	16
Interest	-	14	32	-	46
Expenses of consolidated VIEs	-	-	2	-	2
Inter-segment expenses [2]	10	5	6	(21)	-
Total expenses	28	31	14	(21)	52
Income (loss) from continuing operations before income taxes	$ (11)	$ 13	$ (38)	$ 1	$ (35)

(1) - Consists of net premiums earned, net investment income, net realized investment gains (losses), fees and reimbursements and other net realized gains (losses).
(2) - Primarily represents intercompany service charges and intercompany net investment income and expenses.

Note 10: Business Segments (continued)

The following tables provide the Company's segment results for the nine months ended September 30, 2023 and 2022:

	Nine Months Ended September 30, 2023				
In millions	U.S. Public Finance Insurance	Corporate	International and Structured Finance Insurance	Eliminations	Consolidated
Revenues [(1)]	$ 56	$ 6	$ 28	$ (1)	$ 89
Net gains (losses) on financial instruments at fair value and foreign exchange	1	25	(6)	-	20
Net gains (losses) on extinguishment of debt	-	1	-	-	1
Revenues of consolidated VIEs	-	-	(72)	-	(72)
Inter-segment revenues [(2)]	20	41	4	(65)	-
Total revenues	77	73	(46)	(66)	38
Losses and loss adjustment	169	-	(11)	-	158
Amortization of deferred acquisition costs and operating	4	47	8	1	60
Interest	-	41	116	-	157
Expenses of consolidated VIEs	-	-	9	-	9
Inter-segment expenses [(2)]	31	18	17	(66)	-
Total expenses	204	106	139	(65)	384
Income (loss) from continuing operations before income taxes	$ (127)	$ (33)	$ (185)	$ (1)	$ (346)
Identifiable assets per segment	$ 2,379	$ 564	$ 978	$ (1,005) [(3)]	$ 2,916
Assets held for sale	-	-	-	-	74
Total identifiable assets	$ 2,379	$ 564	$ 978	$ (1,005)	$ 2,990

(1) - Consists of net premiums earned, net investment income, net realized investment gains (losses), fees and reimbursements and other net realized gains (losses).
(2) - Primarily represents intercompany service charges and intercompany net investment income and expenses.
(3) - Consists principally of intercompany reinsurance balances.

	Nine Months Ended September 30, 2022				
In millions	U.S. Public Finance Insurance	Corporate	International and Structured Finance Insurance	Eliminations	Consolidated
Revenues [(1)]	$ 24	$ 3	$ 26	$ -	$ 53
Net gains (losses) on financial instruments at fair value and foreign exchange	(43)	111	(17)	-	51
Net gains (losses) on extinguishment of debt	-	5	-	(1)	4
Revenues of consolidated VIEs	-	-	(11)	-	(11)
Inter-segment revenues [(2)]	20	43	7	(70)	-
Total revenues	1	162	5	(71)	97
Losses and loss adjustment	152	-	(95)	-	57
Amortization of deferred acquisition costs and operating	6	35	8	-	49
Interest	-	42	88	-	130
Expenses of consolidated VIEs	-	-	5	-	5
Inter-segment expenses [(2)]	33	17	20	(70)	-
Total expenses	191	94	26	(70)	241
Income (loss) from continuing operations before income taxes	$ (190)	$ 68	$ (21)	$ (1)	$ (144)

(1) - Consists of net premiums earned, net investment income, net realized investment gains (losses), fees and reimbursements and other net realized gains (losses).
(2) - Primarily represents intercompany service charges and intercompany net investment income and expenses.

Note 11: Earnings Per Share

Earnings per share is calculated using the two-class method in which earnings are allocated to common stock and participating securities based on their rights to receive nonforfeitable dividends or dividend equivalents. The Company grants restricted stock to certain employees and non-employee directors in accordance with the Company's long-term incentive programs, which entitle the participants to receive nonforfeitable dividends or dividend equivalents during the vesting period on the same basis as those dividends are paid to common shareholders. These unvested stock awards represent participating securities. During periods of net income, the calculation of earnings per share exclude the income attributable to participating securities in the numerator and the dilutive impact of these securities from the denominator. During periods of net loss, no effect is given to participating securities in the numerator and the denominator excludes the dilutive impact of these securities since they do not share in the losses of the Company.

Basic earnings per share excludes dilution and is reported separately for continuing operations and discontinued operations. Basic earnings per share for continuing operations and discontinued operations is computed by dividing net income from continuing operations and discontinued operations available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects the dilutive effect of all unvested restricted stock outstanding during the period that could potentially result in the issuance of common stock. The dilution from unvested restricted stock is calculated by applying the two-class method and using the treasury stock method. The treasury stock method assumes the proceeds from the unrecognized compensation expense from unvested restricted stock will be used to purchase shares of the Company's common stock at the average market price during the period. If the potentially dilutive securities disclosed in the table below become vested, the transaction would be net share settled resulting in a significantly lower impact to the outstanding share balance in comparison to the total amount of the potentially dilutive securities. During periods of net loss, unvested restricted stock is excluded from the calculation because it would have an antidilutive effect. Therefore, in periods of net loss, the calculation of basic and diluted earnings per share would result in the same value.

Note 11: Earnings Per Share (continued)

The following table presents the computation of basic and diluted earnings per share for the three and nine months ended September 30, 2023 and 2022:

In millions except per share amounts	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Basic and diluted earnings per share:				
Net income (loss) from continuing operations available to common shareholders	$ (185)	$ (35)	$ (346)	$ (144)
Income (loss) from discontinued operations, net of income taxes	(1)	1	(2)	1
Less: Net income (loss) from discontinued operations attributable to noncontrolling interests	(1)	-	5	-
Net income (loss) from discontinued operations attributable to MBIA Inc.	-	1	(7)	1
Net income (loss) attributable to MBIA Inc.	$ (185)	$ (34)	$ (353)	$ (143)
Basic and diluted weighted average shares[(1)]	47.0	49.9	48.7	49.8
Net income (loss) per common share attributable to MBIA Inc. - basic and diluted:				
Continuing operations	$ (3.93)	$ (0.68)	$ (7.10)	$ (2.88)
Discontinued operations	(0.01)	0.01	(0.15)	0.01
Net income (loss) per share attributable to MBIA Inc. - basic and diluted	$ (3.94)	$ (0.67)	$ (7.25)	$ (2.87)
Potentially dilutive securities excluded from the calculation of diluted EPS because of antidilutive affect	4.3	5.0	4.3	5.0

[(1)] - Includes approximately 1 million of participating securities that met the service condition and were eligible to receive nonforfeitable dividends or dividend equivalents for the three and nine months ended September 30, 2023 and 2022.

Note 12: Accumulated Other Comprehensive Income

The following table presents the changes in the components of AOCI for the nine months ended September 30, 2023:

In millions	Unrealized Gains (Losses) on AFS Securities, Net	Foreign Currency Translation, Net	Instrument-Specific Credit Risk of Liabilities Measured at Fair Value, Net	Total
Balance, December 31, 2022	$ (234)	$ (4)	$ (45)	$ (283)
Other comprehensive income (loss) before reclassifications	(37)	-	(4)	(41)
Amounts reclassified from AOCI	16	-	45	61
Net period other comprehensive income (loss)	(21)	-	41	20
Balance, September 30, 2023	$ (255)	$ (4)	$ (4)	$ (263)

Note 12: Accumulated Other Comprehensive Income

The following table presents the details of the reclassifications from AOCI for the three and nine months ended September 30, 2023 and 2022:

In millions	Amounts Reclassified from AOCI				
	Three Months Ended September 30,		Nine Months Ended September 30,		
Details about AOCI Components	2023	2022	2023	2022	Affected Line Item on the Consolidated Statements of Operations
Unrealized gains (losses) on AFS securities:					
Realized gains (losses) on sale of securities	$ (3)	$ 3	$ (16)	$ 5	Net realized investment gains (losses)
Instrument-specific credit risk of liabilities:					
Deconsolidation of VIEs	1	-	(20)	-	Other net realized gains (losses) - VIE
Settlement of liabilities	(12)	(23)	(25)	(11)	Net gains (losses) on financial instruments at fair value and foreign exchange - VIE
Total reclassifications for the period	$ (14)	$ (20)	$ (61)	$ (6)	Net income (loss)

Note 13: Commitments and Contingencies

The following commitments and contingencies provide an update of those discussed in “Note 19: Commitments and Contingencies” in the Notes to Consolidated Financial Statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2022, and should be read in conjunction with the complete descriptions provided in the aforementioned Form 10-K.

Litigation

Refer to “Note 1: Business Developments and Risks and Uncertainties” for further information regarding PREPA's Title III proceedings. There are otherwise no material legal proceedings pending or, to the knowledge of the Company, threatened, to which the Company or any of its subsidiaries is a party.

Lease Commitments

The Company has a lease agreement for its headquarters in Purchase, New York. The initial lease term expires in 2030 with the option to terminate the lease in 2025 upon the payment of a termination amount. This lease agreement included an incentive amount to fund certain leasehold improvements, renewal options, escalation clauses and a free rent period. This lease agreement has been classified as an operating lease, and operating rent expense is recognized on a straight-line basis. The following table provides information about the Company’s leases as of September 30, 2023:

$ in millions	As of September 30, 2023	Balance Sheet Location
Right-of-use asset	$ 16	Other assets
Lease liability	$ 16	Other liabilities
Weighted average remaining lease term (years)	6.9	
Discount rate used for operating leases	7.5%	
Total future minimum lease payments	$ 21	

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of financial condition and results of operations of MBIA Inc. should be read in conjunction with the other sections of our Annual Report on Form 10-K for the year ended December 31, 2022 and the consolidated financial statements and notes thereto included in this Form 10-Q. In addition, this discussion and analysis of financial condition and results of operations includes statements of the opinion of MBIA Inc.’s management which may be forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical earnings and those presently anticipated or projected. Refer to “Risk Factors” in Part II, Item 1A and “Forward-Looking and Cautionary Statements” and “Risk Factors” in Part I, Item 1A of MBIA Inc.’s Annual Report on Form 10-K for the year ended December 31, 2022 for a further discussion of risks and uncertainties.

OVERVIEW

MBIA Inc., together with its consolidated subsidiaries, (collectively, “MBIA”, the “Company”, “we”, “us”, or “our”) operates within the financial guarantee insurance industry. MBIA manages its business within three operating segments: 1) United States (“U.S.”) public finance insurance; 2) corporate; and 3) international and structured finance insurance. Our U.S. public finance insurance portfolio is managed through National Public Finance Guarantee Corporation (“National”), our corporate segment is managed through MBIA Inc. and several of its subsidiaries, including our service company, MBIA Services Corporation (“MBIA Services”), and our international and structured finance insurance business is primarily managed through MBIA Insurance Corporation and its subsidiaries (“MBIA Corp.”).

National’s primary objectives are to maximize the performance of its existing insured portfolio through effective surveillance and remediation activity and effectively manage its investment portfolio. Our corporate segment consists of general corporate activities, including providing support services to MBIA’s operating subsidiaries and asset and capital management. MBIA Corp.’s primary objectives are to satisfy all claims by its policyholders and to maximize future recoveries, if any, for its surplus note holders, and then its preferred stock holders. MBIA Corp. is executing this strategy by, among other things, taking steps to maximize the collection of recoveries and reducing and mitigating potential losses on its insurance exposures. We do not expect National or MBIA Corp. to write significant new business. The Company announced in May of 2023 that it had suspended its process of exploring strategic alternatives in light of prevailing market conditions and feedback arising from that process.

Economic Environment

U.S. economic activity indicators point to modest growth in spending and production, with robust job gains and a low unemployment rate. Inflation remains elevated. With the Federal Open Market Committee (“FOMC”) seeking to achieve maximum employment and 2% inflation, the FOMC has increased its target range for the federal funds rate to 5.25% to 5.50% at its most recent meetings. Economic and financial market trends could impact the Company’s financial results. Economic improvement at the state and local level strengthens the credit quality of the issuers of our insured municipal bonds, improves the performance of our insured U.S. public finance portfolio and could reduce the amount of National’s potential incurred losses. In addition, higher projected interest rates could adversely affect the values of our Company’s investment portfolio, but increase investment portfolio yield and income, increase the value of the Company’s interest rate swaps, and decrease the present value of loss reserves.

2023 Business Developments

The following is a summary of 2023 business developments:

Puerto Rico

- On January 1, 2023, the Puerto Rico Electric Power Authority (“PREPA”) defaulted on scheduled debt service for National insured bonds and National paid gross claims in the aggregate of $18 million. In addition, on July 1, 2023, PREPA defaulted on scheduled debt service for National insured bonds and National paid gross claims in the aggregate of $119 million. As of September 30, 2023, National had $808 million of debt service outstanding related to PREPA.

OVERVIEW (continued)

- On March 8, 2022, the Puerto Rico Fiscal Agency and Financial Advisory Authority ("AAFAF") and PREPA terminated the pending restructuring support agreement. On April 8, 2022, the Court appointed a new panel of judges to commence mediation among the Financial Oversight and Management Board for Puerto Rico (the "Oversight Board"), the Ad Hoc creditor group of holders of PREPA Senior Bonds, Assured Guaranty Corp. and Assured Guaranty Municipal Corp. ("Assured"), National and Syncora Guarantee, Inc. ("Syncora"). The mediation initially terminated on September 16, 2022; however on September 29, 2022 the Court entered an order restarting mediation through January 31, 2023. Mediation was further continued until July 28, 2023. On January 31, 2023, National entered into the PREPA Plan Support Agreement ("PREPA PSA") with the Oversight Board, on behalf of itself and as the sole Title III representative of PREPA. An amended plan of adjustment for PREPA and related disclosure statement, including the PREPA PSA, was filed on February 9, 2023. On June 26, 2023, the Court entered an order reducing bondholder allowed net unsecured claims to $2.4 billion from approximately $7.6 billion. On August 25, 2023, National entered into the First Amendment to the PREPA Plan Support Agreement (the "Amended PSA") with the Oversight Board, on behalf of itself and as the sole Title III representative of PREPA. On August 25, 2023, the Oversight Board filed its Third Amended Title III Plan of Adjustment (the "Third Amended Plan") incorporating, among other things, the terms of the Amended PSA. The Amended PSA provides that, upon the effective date of the Third Amended Plan, National shall receive cash, together with certain fees and expense reimbursement payments, in an amount based in part on the ultimate participation by a joinder date, if any, of certain currently non-accepting holders of uninsured PREPA bonds. The Amended PSA also provides National with additional consideration in the form of two types of contingent values instruments, whose value cannot be assured. The Amended PSA remains subject to a number of conditions, including (but not limited to) the Title III Court's approval of the Amended PSA and the confirmation and effectiveness of the Third Amended Plan, as it may be further amended with the Court's approval. Confirmation is currently scheduled to begin March 4, 2024. There is no assurance the Third Amended Plan will ultimately be confirmed and go effective. In the event of a substantially different confirmed plan of adjustment from the Amended PSA, National's PREPA loss reserves and recoveries could be materially adversely affected.

Refer to the following "U.S. Public Finance Insurance Puerto Rico Exposures" section for additional information on our Puerto Rico exposures.

Zohar CDOs

- Pursuant to a plan of liquidation that became effective in August of 2022, MBIA Corp.'s interest in the remaining collateral of the Zohar collateralized debt obligation ("CDO") 2003-1, Limited ("Zohar I") and Zohar II 2005-1, Limited ("Zohar II") (collectively, the "Zohar CDOs") was distributed to MBIA Corp. either directly or in the form of interests in certain asset recovery entities. Refer to "Note 1: Business Developments and Risks and Uncertainties" in the Notes to Consolidated Financial Statements for a further discussion of the Zohar CDOs.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

RESULTS OF OPERATIONS

Summary of Consolidated Results

The following table presents a summary of our consolidated financial results for the three and nine months ended September 30, 2023 and 2022:

In millions except for per share, percentage and share amounts	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Total revenues	$ 8	$ 17	$ 38	$ 97
Total expenses	193	52	384	241
Income (loss) from continuing operations before income taxes	(185)	(35)	(346)	(144)
Provision (benefit) for income taxes	-	-	-	-
Net income (loss) from continuing operations	(185)	(35)	(346)	(144)
Income (loss) from discontinued operations, net of income taxes	(1)	1	(2)	1
Net income (loss)	(186)	(34)	(348)	(143)
Less: Net income (loss) from discontinued operations attributable to noncontrolling interests	(1)	-	5	-
Net income (loss) attributable to MBIA Inc.	$ (185)	$ (34)	$ (353)	$ (143)
Net income (loss) per basic and diluted common share attributable to MBIA Inc.	$ (3.94)	$ (0.67)	$ (7.25)	$ (2.87)
Adjusted net income (loss) (1)	$ (138)	$ (17)	$ (161)	$ (160)
Adjusted net income (loss) per diluted share (1)	$ (2.92)	$ (0.34)	$ (3.31)	$ (3.21)
Weighted average basic and diluted common shares outstanding	47,009,765	49,878,191	48,654,638	49,779,681

(1) - Adjusted net income (loss) and adjusted net income (loss) per diluted share are non-GAAP measures. Refer to the following Non-GAAP Adjusted Net Income (Loss) section for a discussion of adjusted net income (loss) and adjusted net income (loss) per diluted share and a reconciliation of GAAP net income (loss) to adjusted net income (loss) and GAAP net income (loss) per diluted share to adjusted net income (loss) per diluted share.

Three Months Ended September 30, 2023 vs. Three Months Ended September 30, 2022

Income (loss) from Continuing Operations Before Income Taxes

Consolidated total revenues decreased for the three months ended September 30, 2023 compared with the same period of 2022 principally due to $8 million of impairments on investments as a result of our intent to sell certain securities before they recover their cost basis, unfavorable changes in foreign exchange rates and lower fair value gains on interest rate swaps. These unfavorable changes were partially offset by a decrease in losses from fair valuing investments and an increase investment income from the higher interest rate environment. Foreign exchange gains for the three months ended September 30, 2023 on euro-denominated liabilities were $5 million compared with gains of $11 million for the same period of 2022. This unfavorable change in foreign exchange gains was due to a larger increase in the strength of the U.S. dollar against the euro in 2022. Fair value gains on our interest rate swaps for the three months ended September 30, 2023 were $20 million compared with gains of $25 million for the same period of 2022. The decrease was due to the termination of interest rate swaps in 2023. The three months ended September 30, 2023 included $2 million of losses from fair valuing investments compared with $10 million of losses from fair valuing investments for the same period of 2022.

Consolidated total expenses for the three months ended September 30, 2023 included $123 million of losses and loss adjustment expense ("LAE") compared with a losses and LAE benefit of $12 million for the same period of 2022. This increase in losses and LAE was primarily due to unfavorable changes in PREPA net reserves. Refer to the following "Loss and Loss Adjustment Expenses" sections of the U.S. Public Finance Insurance and International and Structured Finance Insurance segments for additional information on our losses and LAE.

RESULTS OF OPERATIONS (continued)

Nine Months Ended September 30, 2023 vs. Nine Months Ended September 30, 2022

Income (loss) from Continuing Operations Before Income Taxes

Consolidated total revenues decreased for the nine months ended September 30, 2023 compared with the same period of 2022 principally due to unfavorable changes in fair value gains on interest rate swaps, revenues from variable interest entities ("VIEs") and foreign exchange rates. These unfavorable changes were partially offset by an increase in net investment income and a decrease in losses from fair valuing investments. Fair value gains on our interest rate swaps for the nine months ended September 30, 2023 were $22 million compared with gains of $87 million for the same period of 2022. The decrease was primarily due to a larger increase in interest rates in 2022. Consolidated VIE revenue for the nine months ended September 30, 2023 was a loss of $72 million compared with a loss of $11 million for the same period of 2022. This unfavorable change was primarily due to the reclassification of credit risk losses from accumulated other comprehensive income ("AOCI") to net income (loss) in 2023 compared with the reclassification of credit risk gains in 2022 due to the early redemption of VIE liabilities carried at fair value and the deconsolidation of VIEs. Foreign exchange gains for the nine months ended September 30, 2023 and 2022 on euro-denominated liabilities were $1 million and $30 million, respectively. This unfavorable change in foreign exchange gains was due to a larger increase in the strength of the U.S. dollar against the euro in 2022. Net investment income increased $23 million for the nine months ended September 30, 2023 compared with the same period of 2022 primarily due to a higher interest rate environment and accretion from the early redemption of investments in 2023. The nine months ended September 30, 2023 included $4 million of gains from fair valuing investments compared with $63 million of losses from fair valuing investments for the same period of 2022. The losses from fair valuing investments for the nine months ended September 30, 2022 were primarily driven by increases in interest rates, widening of credit spreads and mark-to-market changes on Puerto Rico contingent value instruments ("CVI"). In addition, the nine months ended September 30, 2023 included $8 million of impairments on investments as a result of our intent to sell these securities before they recover their cost basis compared with $21 million for the same period of 2022.

Consolidated total expenses for the nine months ended September 30, 2023 included $158 million of losses and LAE compared with $57 million for the same period of 2022. This increase in losses and LAE was primarily due to less of a losses and LAE benefit in 2023 compared with 2022 on our insured first-lien RMBS exposure. In addition, there was an increase in net losses and LAE on PREPA. Refer to the following "Loss and Loss Adjustment Expenses" sections of the U.S. Public Finance Insurance and International and Structured Finance Insurance segments for additional information on our losses and LAE. Interest expense and non-VIE operating expense increased $27 million and $13 million, respectively, for the nine months ended September 30, 2023 compared with the same period of 2022. The increase in interest expense was primarily due to an increase in the interest rate on MBIA Corp.'s surplus notes. Refer to the following "Interest Expense" section of the International and Structured Finance Insurance segment for additional information MBIA Corp.'s surplus note interest. The increase in operating expense was primarily due to an increase in compensation expense related to the Company's non-qualified deferred compensation plan.

Three and Nine Months Ended September 30, 2023 vs. Three and Nine Months Ended September 30, 2022

Provision for Income Taxes

For the three and nine months ended September 30, 2023 and 2022, our effective tax rate applied to our loss before income taxes was below the U.S. statutory tax rate of 21% due to the full valuation allowance on the changes in our net deferred tax asset, which included our net operating loss ("NOL").

As of September 30, 2023 and December 31, 2022, the Company's valuation allowance against its net deferred tax asset was $1.2 billion. Notwithstanding the full valuation allowance on its net deferred tax asset, the Company believes that it may be able to use some of its net deferred tax asset before the expirations associated with that asset based upon expected earnings at National. Accordingly, the Company will continue to re-evaluate its net deferred tax asset on a quarterly basis. There is no assurance that the Company will reverse any of its valuation allowance on its net deferred tax asset in the future. Refer to "Note 9: Income Taxes" in the Notes to Consolidated Financial Statements for a further discussion of income taxes, including the valuation allowance against the Company's net deferred tax asset and its accounting for tax uncertainties.

Income (loss) from discontinued operations, net of income taxes

The Company classifies certain portfolio companies that the Company acquired from the Zohar CDOs bankruptcy distribution as discontinued operations. Included in this amount are the results of operations for the three and nine months ended September 30, 2023 and 2022. Refer to "Note 1: Business Developments and Risks and Uncertainties" in the Notes to Consolidated Financial Statements for a further discussion of our discontinued operations.

RESULTS OF OPERATIONS (continued)

Non-GAAP Adjusted Net Income (Loss)

In addition to our results prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), we also analyze the operating performance of the Company using adjusted net income (loss) and adjusted net income (loss) per diluted common share, both non-GAAP measures. Since adjusted net income (loss) is used by management to assess performance and make business decisions, we consider adjusted net income (loss) and adjusted net income (loss) per diluted common share fundamental measures of periodic financial performance which are useful in understanding our results. Adjusted net income (loss) and adjusted net income (loss) per diluted common share are not substitutes for net income (loss) and net income (loss) per diluted common share determined in accordance with GAAP, and our definitions of adjusted net income (loss) and adjusted net income (loss) per diluted common share may differ from those used by other companies.

Adjusted net income (loss) and adjusted net income (loss) per diluted common share include the after-tax results of the Company and remove the after-tax results of our international and structured finance insurance segment, comprising the results of MBIA Corp. and its discontinued operations net of noncontrolling interest and income taxes, which given MBIA Corp.'s capital structure and business prospects, we do not expect its financial performance to have a material economic impact on MBIA Inc., as well as adjusting the following:

- *Mark-to-market gains (losses) on financial instruments* – We remove the impact of mark-to-market gains (losses) on financial instruments such as interest rate swaps, investment securities and hybrid financial instruments. These amounts fluctuate based on market interest rates, credit spreads and other market factors.
- *Foreign exchange gains (losses)* – We remove foreign exchange gains (losses) on the remeasurement of certain assets and liabilities and transactions in non-functional currencies. Given the possibility of volatility in foreign exchange markets, we exclude the impact of foreign exchange gains (losses) to provide a measurement of comparability of adjusted net income (loss).
- *Net realized investment gains (losses), impaired securities and extinguishment of debt* – We remove realized gains (losses) on the sale of investments, net investment losses related to impairment of securities and net gains (losses) on extinguishment of debt since the timing of these transactions are subject to management's assessment of market opportunities and conditions and capital liquidity positions.
- *Income taxes* –We apply a zero effective tax rate for federal income tax purposes to our pre-tax adjustments, if applicable, consistent with our consolidated effective tax rate.

RESULTS OF OPERATIONS (continued)

The following table presents our adjusted net income (loss) and adjusted net income (loss) per diluted common share and provides a reconciliation of GAAP net income (loss) to adjusted net income (loss) for the three and nine months ended September 30, 2023 and 2022:

In millions except share and per share amounts	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Net income (loss)	$ (185)	$ (34)	$ (353)	$ (143)
Less: adjusted net income (loss) adjustments:				
Income (loss) from discontinued operations, net of noncontrolling interest	-	1	(7)	1
Income (loss) before income taxes of our international and structured finance insurance segment and eliminations	(55)	(39)	(185)	(21)
Adjustments to income before income taxes of our U.S. public finance insurance and corporate segments:				
Mark-to-market gains (losses) on financial instruments (1)	20	23	25	60
Foreign exchange gains (losses) (1)	5	10	1	29
Net realized investment gains (losses)	(9)	(13)	(19)	(36)
Net gains (losses) on extinguishment of debt	-	-	1	5
Net investment losses related to impairments of securities (2)	(8)	1	(8)	(21)
Adjusted net income adjustment to the (provision) benefit for income tax	-	-	-	-
Adjusted net income (loss)	$ (138)	$ (17)	$ (161)	$ (160)
Adjusted net income (loss) per diluted common share (3)	$ (2.92)	$ (0.34)	$ (3.31)	$ (3.21)

(1) - Reported within "Net gains (losses) on financial instruments at fair value and foreign exchange" on the Company's consolidated statements of operations.
(2) - Reported within "Other net realized gains (losses)" on the Company's consolidated statements of operations.
(3) - Adjusted net income (loss) per diluted common share is calculated by taking adjusted net income (loss) divided by the GAAP weighted average number of diluted common shares outstanding.

RESULTS OF OPERATIONS (continued)

Book Value Adjustments Per Share

In addition to GAAP book value per share, for internal purposes management also analyzes adjusted book value ("ABV") per share, changes to which we view as an important indicator of financial performance. ABV is also used by management in certain components of management's compensation. Since many of the Company's investors and analysts continue to use ABV to evaluate MBIA's share price and as the basis for their investment decisions, we present GAAP book value per share as well as the individual adjustments used by management to calculate its internal ABV metric.

Management adjusts GAAP book value to remove the book value of MBIA Corp., its discontinued operations, and for certain items which the Company believes will reverse from GAAP book value through GAAP earnings and comprehensive income, as well as add in the impact of certain items which the Company believes will be realized in GAAP book value in future periods. The Company has limited such adjustments to those items that it deems to be important to fundamental value and performance and for which the likelihood and amount can be reasonably estimated. The following provides a description of management's adjustments to GAAP book value:

- *Negative Book value of MBIA Corp.* – We remove the negative book value of MBIA Corp., including its discontinued operations based on our view that given MBIA Corp.'s current financial condition, the regulatory regime in which it operates, the priority given to its policyholders, surplus note holders and preferred stock holders with respect to the distribution of assets, and its legal structure, it is not and will not likely be in a position to upstream any economic benefit to MBIA Inc. Further, MBIA Inc. does not face any material financial liability arising from MBIA Corp.
- *Net unrealized (gains) losses on available-for-sale ("AFS") securities excluding MBIA Corp.* – We remove net unrealized gains and losses on AFS securities recorded in accumulated other comprehensive income since they will reverse from GAAP book value when such securities mature. Gains and losses from sales and impairments of AFS securities are recorded in book value through earnings.
- *Net unearned premium revenue in excess of expected losses of National* - We include net unearned premium revenue in excess of expected losses. Net unearned premium revenue in excess of expected losses consists of the financial guarantee unearned premium revenue of National in excess of expected insurance losses, net of reinsurance and deferred acquisition costs. In accordance with GAAP, a loss reserve on a financial guarantee policy is only recorded when expected losses exceed the amount of unearned premium revenue recorded for that policy. As a result, we only add to GAAP book value the amount of unearned premium revenue in excess of expected losses for each policy in order to reflect the full amount of our expected losses. The Company's net unearned premium revenue will be recognized in GAAP book value in future periods, however, actual amounts could differ from estimated amounts due to such factors as credit defaults and policy terminations, among others.

Since the Company has a full valuation allowance against its net deferred tax asset and a zero consolidated effective tax rate, the book value per share adjustments reflect a zero effective tax rate.

The following table provides the Company's GAAP book value per share and management's adjustments to book value per share used in our internal analysis:

In millions except share and per share amounts	As of September 30, 2023	As of December 31, 2022
Total shareholders' equity of MBIA Inc.	$ (1,239)	$ (882)
Common shares outstanding	51,139,240	54,852,671
GAAP book value per share	$ (24.22)	$ (16.07)
Management's adjustments described above:		
Remove negative book value per share of MBIA Corp.	(43.56)	(37.76)
Remove net unrealized gains (losses) on available-for-sale securities included in other comprehensive income (loss)	(4.58)	(3.96)
Include net unearned premium revenue in excess of expected losses	3.01	3.08

RESULTS OF OPERATIONS (continued)

U.S. Public Finance Insurance Segment

Our U.S. public finance insurance portfolio is managed through National. The financial guarantees issued by National provide unconditional and irrevocable guarantees of the payment of the principal of, and interest or other amounts owing on, insured obligations when due or, in the event National has exercised, at its discretion, the right to accelerate the payment under its policies upon the acceleration of the underlying insured obligations due to default or otherwise. National's guarantees insure municipal bonds, including tax-exempt and taxable indebtedness of U.S. political subdivisions, as well as utility districts, airports, healthcare institutions, higher educational facilities, housing authorities and other similar agencies and obligations issued by private entities that finance projects that serve a substantial public purpose. Municipal bonds and privately issued bonds used for the financing of public purpose projects are generally supported by taxes, assessments, user fees or tariffs related to the use of these projects, lease payments or other similar types of revenue streams. As of September 30, 2023, National had total insured gross par outstanding of $29.1 billion.

National continues to monitor and remediate its existing insured portfolio and may pursue other transactions, including a special dividend that could enhance shareholder value. Some state and local governments and territory obligors that National insures are experiencing financial and budgetary stress which could lead to an increase in defaults by such entities on the payment of their obligations and, while such stress has not yet occurred materially, losses or impairments on a greater number of the Company's insured transactions. In particular, Puerto Rico had been experiencing significant fiscal stress and constrained liquidity. Refer to the "U.S. Public Finance Insurance Puerto Rico Exposures" section for additional information on our Puerto Rico exposures. We continue to monitor and analyze these situations and other stressed credits closely, and the overall extent and duration of stress affecting our insured credits remains uncertain.

The following table presents our U.S. public finance insurance segment results for the three and nine months ended September 30, 2023 and 2022:

In millions	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Percent Change	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Percent Change
Net premiums earned	$ 7	$ 9	-22%	$ 22	$ 31	-29%
Net investment income	23	20	15%	71	58	22%
Net realized investment gains (losses)	(2)	(7)	-71%	(11)	(28)	-61%
Net gains (losses) on financial instruments at fair value and foreign exchange	(1)	(6)	-83%	1	(43)	-102%
Fees and reimbursements	1	1	-%	2	2	-%
Other net realized gains (losses)	(8)	-	n/m	(8)	(19)	-58%
Total revenues	20	17	18%	77	1	n/m
Losses and loss adjustment	143	16	n/m	169	152	11%
Amortization of deferred acquisition costs	2	2	-%	5	7	-29%
Operating	9	10	-10%	30	32	-6%
Total expenses	154	28	n/m	204	191	7%
Income (loss) from continuing operations before income taxes	$ (134)	$ (11)	n/m	$ (127)	$ (190)	-33%

n/m - Percent change not meaningful.

RESULTS OF OPERATIONS (continued)

NET PREMIUMS EARNED Net premiums earned on financial guarantees represent gross premiums earned net of premiums ceded to reinsurers, and include scheduled premium earnings and premium earnings from refunded issues. Refunding activity over the past several years has accelerated premium earnings in prior years and reduced the amount of scheduled premiums that would have been earned in the current year. Refunding activity can vary significantly from period to period based on issuer refinancing behavior. For the three months ended September 30, 2023 and 2022, scheduled premiums earned were $6 million and $8 million, respectively, and for the three months ended September 30, 2023 and 2022, refunded premiums earned were $1 million. For the nine months ended September 30, 2023 and 2022, scheduled premiums earned were $21 million and $24 million, respectively, and for the nine months ended September 30, 2023 and 2022, refunded premiums earned were $1 million and $7 million, respectively.

NET INVESTMENT INCOME The increases in net investment income for the three and nine months ended September 30, 2023 compared with the same periods of 2022 were primarily due to higher yields on investments as a result of a rising interest rate environment.

NET REALIZED INVESTMENT GAINS (LOSSES) The net realized investment gains (losses) for the three and nine months ended September 30, 2023 and 2022 related to sales of securities from the ongoing management of our U.S. public finance investment portfolio, including to generate liquidity to pay claims.

NET GAINS (LOSSES) ON FINANCIAL INSTRUMENTS AT FAIR VALUE AND FOREIGN EXCHANGE For the three and nine months ended September 30, 2022, net losses on financial instruments at fair value and foreign exchange were driven by fair value losses on investments for which the fair value option was elected and investments designated as trading. The losses on the fair value option investments were driven by increases in interest rates and widening of credit spreads during 2022. The losses on the trading investments were driven by mark-to-market changes on the Puerto Rico Puerto Rico Commonwealth GO ("GO") and Puerto Rico Highway and Transportation Authority ("HTA") CVI.

OTHER NET REALIZED GAINS (LOSSES) For the three and nine months ended September 30, 2023 and 2022, other net realized losses were primarily related to impairments of certain investments that were in an unrealized loss position and which we intended to sell before their values recovered to their amortized cost basis.

LOSSES AND LOSS ADJUSTMENT EXPENSES Our U.S. public finance insured portfolio management group is responsible for monitoring our U.S. public finance segment's insured obligations. The level and frequency of monitoring of any insured obligation depends on the type, size, rating and our assessed performance of the insured issue. Refer to "Note 5: Loss and Loss Adjustment Expense Reserves" in the Notes to Consolidated Financial Statements for additional information related to the Company's loss reserves.

For the three and nine months ended September 30, 2023, losses and LAE incurred relates to updating PREPA scenarios to reflect the Amended PSA, which includes extending the effective date of a settlement until 2024.

For the three months ended September 30, 2022, loss and LAE incurred primarily related to changes in our estimated recoveries on National's HTA exposure. HTA loss reserves and recoveries include certain assumptions about the timing and amount of claims payments and recoveries, including assumptions about the values of recoveries on the date we expected to receive reimbursement. During the three months ended September 30, 2022, we updated assumptions used to estimate the fair value of new HTA bonds that National expected to receive. These assumption changes resulted in a decrease in our estimated present value of HTA recoveries. In addition, losses and LAE incurred related to changes in our estimated recoveries and claims payments on National's PREPA exposure.

For the nine months ended September 30, 2022 loss and LAE incurred primarily related to changes in our estimate of expected recoveries on National's PREPA exposure, partially offset by benefits related to Puerto Rico HTA and GO recoveries. During the nine months ended September 30, 2022 we updated our PREPA assumptions used to estimate the value of recoveries and the timing and amount of claim payments to reflect the current status of a remediation. These assumption changes resulted in a decrease in our estimated present value of expected PREPA recoveries. This was partially offset by loss benefits related to HTA and GO recoveries. During the nine months ended September 30, 2022 our HTA recoveries increased based on updated information related to the fair value of the HTA CVI that National received in July of 2022 and our estimated value of the HTA bonds that National expected to receive. In addition, we recorded a loss benefit on our GO recoveries to reflect fair values of the consideration received as of the acquisition date, which was higher than our previous estimate.

RESULTS OF OPERATIONS (continued)

The following table presents information about our U.S. public finance insurance loss recoverable asset and loss and LAE reserves liabilities as of September 30, 2023 and December 31, 2022:

In millions	September 30, 2023	December 31, 2022	Percent Change
Assets:			
Insurance loss recoverable	$ 150	$ 107	40%
Reinsurance recoverable on paid and unpaid losses (1)	11	6	83%
Liabilities:			
Loss and LAE reserves	228	154	48%
Insurance loss recoverable - ceded (2)	1	1	0%
Net reserve (salvage)	$ 68	$ 42	62%

(1) - Reported within "Other assets" on our consolidated balance sheets.
(2) - Reported within "Other liabilities" on our consolidated balance sheets.

The insurance loss recoverable as of September 30, 2023 increased compared with December 31, 2022, primarily due to anticipated recoveries on the January and July debt service payments, as well as a change in scenarios to reflect the PREPA Amended PSA. The loss and LAE reserve as of September 30, 2023 increased compared with December 31, 2022, primarily to reflect the PREPA Amended PSA, which includes extending the effective date of a settlement until 2024.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

RESULTS OF OPERATIONS (continued)

POLICY ACQUISITION COSTS AND OPERATING EXPENSES U.S. public finance insurance segment expenses for the three and nine months ended September 30, 2023 and 2022 are presented in the following table:

In millions	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Change	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Change
Gross expenses	$ 9	$ 9	-%	$ 30	$ 32	-6%
Amortization of deferred acquisition costs	$ 2	$ 2	-%	$ 5	$ 7	-29%
Operating	9	10	-10%	30	32	-6%
Total insurance operating expenses	$ 11	$ 12	-8%	$ 35	$ 39	-10%

Gross expenses represent total insurance expenses before the deferral of any policy acquisition costs.

When an insured obligation refunds, we accelerate to expense any remaining deferred acquisition costs associated with the policy covering the refunded insured obligation. We did not defer a material amount of policy acquisition costs during 2023 or 2022 as we did not write any new insurance business in those years.

INSURED PORTFOLIO EXPOSURE Financial guarantee insurance companies use a variety of approaches to assess the underlying credit risk profile of their insured portfolios. National uses both an internally developed credit rating system as well as third-party rating sources in the analysis of credit quality measures of its insured portfolio. In evaluating credit risk, we obtain, when available, the underlying rating(s) of the insured obligation before the benefit of National's insurance policy from nationally recognized rating agencies, Moody's Investor Services ("Moody's") and Standard & Poor's Financial Services LLC ("S&P"). Other companies within the financial guarantee industry may report credit quality information based upon internal ratings that would not be comparable to our presentation. We maintain internal ratings on our entire portfolio, and our ratings may be higher or lower than the underlying ratings assigned by Moody's or S&P.

The following table presents the credit quality distribution of National's U.S. public finance outstanding gross par insured as of September 30, 2023 and December 31, 2022. Capital appreciation bonds ("CABs") are reported at the par amount at the time of issuance of the insurance policy. All ratings are as of the period presented and represent S&P underlying ratings, where available. If transactions are not rated by S&P, a Moody's equivalent rating is used. If transactions are not rated by either S&P or Moody's, an internal equivalent rating is used.

In millions	Gross Par Outstanding			
	September 30, 2023		December 31, 2022	
Rating	Amount	%	Amount	%
AAA	$ 1,284	4.4%	$ 1,433	4.5%
AA	12,230	42.1%	13,448	42.5%
A	10,750	37.0%	9,672	30.5%
BBB	2,471	8.5%	5,055	16.0%
Below investment grade	2,320	8.0%	2,044	6.5%
Total	$ 29,055	100.0%	$ 31,652	100.0%

RESULTS OF OPERATIONS (continued)

U.S. Public Finance Insurance Puerto Rico Exposures

On May 3, 2017, the Oversight Board certified and filed a petition under Title III of the Puerto Rico Oversight, Management, and Economic Stability Act ("PROMESA") for Puerto Rico with the District Court of Puerto Rico thereby commencing a bankruptcy-like case for GO. Under separate petitions, the Oversight Board subsequently commenced Title III proceedings for the Puerto Rico Sales Tax Financing Corporation ("COFINA"), HTA, PREPA and the Public Buildings Authority ("PBA") on May 5, 2017, May 21, 2017, July 2, 2017 and September 27, 2019, respectively. On February 4, 2019, the District of Puerto Rico entered the order confirming the Third Amended Title III Plan of Adjustment for COFINA. The Title III cases for GO and PBA were confirmed on January 18, 2022, and became effective on March 15, 2022. The confirmation hearing for the HTA Title III case was completed on August 17, 2022, and the confirmation order was entered on October 12, 2022, which became effective on December 6, 2022.

As a result of prior defaults, various stays and the Title III cases, Puerto Rico failed to make certain scheduled debt service payments for National insured bonds. As a consequence, National has paid gross claims in the aggregate amount of $3.0 billion relating to GO bonds, PBA bonds, PREPA bonds and HTA bonds through September 30, 2023, inclusive of the commutation payment and the additional payment in the amount of $66 million in 2019 related to COFINA and the GO and HTA acceleration and commutation payments of $277 million and $556 million, respectively, in 2022.

Status of Puerto Rico's Fiscal Plans

The Oversight Board certified fiscal plans for PREPA, University of Puerto Rico (the "University") and HTA on June 28, 2022, May 27, 2022 and October 14, 2022, respectively. The Oversight Board also certified the fiscal year 2023 budgets for Commonwealth, PREPA, the University and HTA on June 30, 2022. On June 23, 2023, the Oversight Board filed a fiscal plan for PREPA for FY2023, which provided for approximately $2.4 billion of distributions to PREPA bondholders. The University is not a debtor in Title III and continues to be current on its debt service payment. However, the University is subject to a standstill agreement with its senior bondholders, which has been extended to November 30, 2023. National is not a party to the standstill agreement. As of September 30, 2023, National had $73 million of debt service outstanding related to the University.

PREPA

National's largest remaining exposure to Puerto Rico, by gross par outstanding, is to PREPA.

On May 3, 2019, PREPA, the Oversight Board, the AAFAF, the Ad Hoc Group of PREPA bondholders (the "Ad Hoc Group"), and Assured entered into the a restructuring support agreement ("RSA") which was amended on September 9, 2019 to include National and Syncora supporting parties. On March 8, 2022, AAFAF and PREPA terminated the RSA. On April 8, 2022, the Court appointed a new panel of judges to commence mediation among the Oversight Board, the Ad Hoc creditor group of holders of PREPA Senior Bonds, Assured, National and Syncora. The mediation initially terminated on September 16, 2022; however on September 29, 2022, the Court entered an order of restarting mediation through January 31, 2023. Mediation has since been further continued until July 28, 2023. On January 31, 2023, National entered into the PREPA PSA with the Oversight Board, on behalf of itself and as the sole Title III representative of PREPA. On February 9, 2023, the Oversight Board filed an amendment to the Plan of Adjustment originally filed with the Title III court on December 16, 2022 (the "Amended Plan"), that reflects the entry into the PREPA PSA and the settlement described therein. On June 26, 2023, the Court entered an order reducing Bondholder allowed net unsecured claims to $2.4 billion from approximately $7.6 billion. On August 25, 2023, National entered into the First Amendment to the PREPA Plan Support Agreement (the "Amended PSA") with the Oversight Board, on behalf of itself and as the sole Title III representative of PREPA. On August 25, 2023, the Oversight Board filed its Third Amended Title III Plan of Adjustment (the "Third Amended Plan") incorporating, among other things, the terms of the Amended PSA. The Amended PSA provides that, upon the effective date of the Third Amended Plan, National shall receive cash, together with certain fees and expense reimbursement payments, in an amount based in part on the ultimate participation, if any, of certain currently non-accepting holders of uninsured PREPA bonds. The Amended PSA also provides National with additional consideration in the form of two types of contingent values instruments, whose value cannot be assured. The Amended PSA remains subject to a number of conditions, including (but not limited to) the Title III Court's approval of the Amended PSA and the confirmation and effectiveness of the Third Amended Plan, as it may be further amended with the Court's approval. Confirmation is currently scheduled to begin March 4, 2024.

RESULTS OF OPERATIONS (continued)

On June 22, 2020, the Oversight Board and the Puerto Rico P3 Authority announced an agreement and contract with LUMA Energy, LLC ("LUMA") which calls for LUMA to take full responsibility for the operation and maintenance of PREPA's transmission and distribution system; the contract runs for 15-years following a transition period expected to take 12 months. PREPA retains ownership of the system as well as responsibility for the power generation system. LUMA assumed responsibility for operations on June 1, 2021.

On September 18, 2020, FEMA and the PR COR3 Authority announced the commitment by FEMA to provide approximately $11.6 billion (net of the required 10% cost share) to fund projects built by PREPA and the PR Department of Education; approximately $9.4 billion (net) of this amount is designated for PREPA. LUMA is now involved in the planning of the related projects as well as proceedings related thereto in front the PR Energy Bureau as well as PR-COR3.

On January 25, 2023, the Oversight Board and Puerto Rico P3 Authority announced an agreement and contract with Genera PR LLC ("Genera") which calls for Genera to take full responsibility of the operation and maintenance of the existing power generation assets owned by PREPA; the contract will run for 10-years following a transition period. PREPA retains ownership of the assets.

The following table presents our scheduled gross debt service due on our PREPA insured exposures as of September 30, 2023, for the three months ending December 31, 2023, for each of the subsequent four years ending December 31, and thereafter:

In millions	Three Months Ending December 31, 2023	2024	2025	2026	2027	Thereafter	Total
Puerto Rico Electric Power Authority (PREPA)	$ -	$ 137	$ 105	$ 57	$ 20	$ 489	$ 808

Corporate Segment

Our corporate segment consists of general corporate activities, including providing support services to MBIA Inc.'s subsidiaries and asset and capital management. Support services are provided by our service company, MBIA Services, and include, among others, management, legal, accounting, treasury, information technology, and insurance portfolio surveillance, on a fee-for-service basis. Capital management includes activities related to servicing obligations issued by MBIA Inc. and its subsidiary, MBIA Global Funding, LLC ("GFL"). MBIA Inc. issued debt to finance the operations of the MBIA group. GFL raised funds through the issuance of medium-term notes ("MTNs") with varying maturities, which were in turn guaranteed by MBIA Corp. GFL lent the proceeds of these MTN issuances to MBIA Inc. MBIA Inc. provided customized investment agreements, guaranteed by MBIA Corp., for bond proceeds and other public funds for such purposes as construction, loan origination, escrow and debt service or other reserve fund requirements. The Company ceased issuing new MTNs and investment agreements and the outstanding liability balances and corresponding asset balances have declined over time as liabilities matured, terminated, were called or repurchased. All of the debt within the corporate segment is managed collectively and is serviced by available liquidity.

The following table summarizes the consolidated results of our corporate segment for the three and nine months ended September 30, 2023 and 2022:

In millions	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Percent Change	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Percent Change
Net investment income	$ 7	$ 5	40%	$ 17	$ 16	6%
Net realized investment gains (losses)	(7)	(6)	17%	(8)	(8)	-%
Net gains (losses) on financial instruments at fair value and foreign exchange	23	35	-34%	25	111	-77%
Net gains (losses) on extinguishment of debt	-	-	-%	1	5	-80%
Fees	12	11	9%	38	38	-%
Total revenues	35	45	-22%	73	162	-55%
Operating	12	12	-%	49	37	32%
Interest	19	19	-%	57	57	-%
Total expenses	31	31	-%	106	94	13%
Income (loss) from continuing operations before income taxes	$ 4	$ 14	-71%	$ (33)	$ 68	-149%

n/m - Percent change not meaningful.

RESULTS OF OPERATIONS (continued)

NET GAINS (LOSSES) ON FINANCIAL INSTRUMENTS AT FAIR VALUE AND FOREIGN EXCHANGE Net gains (losses) on financial instruments at fair value and foreign exchange were primarily driven by changes in market values on interest rate swaps and changes in the revaluation of euro-denominated liabilities.

The three months ended September 30, 2023 included fair value net gains of $20 million on interest rate swaps compared with fair value net gains of $25 million on these swaps for the same period of 2022. The decrease was due to the termination of interest rate swaps in 2023. The three months ended September 30, 2023 also included foreign currency gains of $5 million on euro-denominated liabilities compared with foreign currency gains of $11 million on these liabilities for the same period of 2022. This decline was due to a larger increase in the strength of the U.S. dollar against the euro in 2022.

The nine months ended September 30, 2023 included fair value net gains of $22 million on interest rate swaps compared with fair value net gains of $87 million on these swaps for the same period of 2022. This unfavorable change was primarily due to the impact of larger increases in interest rates in 2022 than in 2023 on swaps for which we receive floating rates. The nine months ended September 30, 2023 also included foreign currency gains of $1 million on euro-denominated liabilities compared with foreign currency gains of $30 million on these liabilities for the same period of 2022. This decline was due to a larger increase in the strength of the U.S. dollar against the euro in 2022.

NET GAINS (LOSSES) ON EXTINGUISHMENT OF DEBT Net gains (losses) on extinguishment of debt for all periods include gains from purchases, at discounts, of MTNs issued by the Company.

OPERATING EXPENSE Operating expense increased for the nine months ended September 30, 2023 compared with the same period of 2022 primarily due to an increase in compensation expense related to the Company's non-qualified deferred compensation plan.

International and Structured Finance Insurance Segment

Our international and structured finance insurance portfolio is managed through MBIA Corp. The financial guarantees issued by MBIA Corp. generally provide unconditional and irrevocable guarantees of the payment of the principal of, and interest or other amounts owing on, non-U.S. public finance and global structured finance insured obligations when due or, in the event MBIA Corp. has the right, at its discretion, to accelerate insured obligations upon default or otherwise.

MBIA Corp. insures sovereign-related and sub-sovereign bonds, privately issued bonds used for the financing of utilities, toll roads, bridges, public transportation facilities, and other types of infrastructure projects serving a substantial public purpose. Global structured finance and asset-backed obligations typically are securities repayable from cash flows generated by a specified pool of assets, such as residential and commercial mortgages, structured settlements, consumer loans, and corporate loans and bonds. MBIA Insurance Corporation insures the investment agreements written by MBIA Inc., and if MBIA Inc. were to have insufficient assets to pay amounts due upon maturity or termination, MBIA Insurance Corporation would be required to make such payments under its insurance policies. MBIA Insurance Corporation also insures debt obligations of GFL and obligations under certain types of derivative contracts. MBIA Insurance Corporation provided 100% reinsurance to its subsidiary, MBIA Mexico S.A. de C.V. ("MBIA Mexico"). In August of 2023, MBIA Insurance Corporation's reinsurance agreement with MBIA Mexico terminated after the termination of MBIA Mexico's last insurance policy. As of September 30, 2023, MBIA Corp.'s total insured gross par outstanding was $2.9 billion. In addition, MBIA Corp. consolidates insured transactions as VIEs if it determines it is the primary beneficiary, and deconsolidates such VIEs when it is no longer the primary beneficiary.

MBIA Corp. has contributed to the Company's NOL carryforward, which is used in the calculation of our consolidated income taxes. If MBIA Corp. becomes profitable, it is not expected to make any tax payments under our tax sharing agreement. Based on MBIA Corp.'s current projected earnings and our expectation that it will not write significant new business, we believe it is unlikely that MBIA Corp. will generate significant income in the near future. As a result of MBIA Corp.'s capital structure and business prospects, we do not expect its financial performance to have a material economic impact on MBIA Inc.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

RESULTS OF OPERATIONS (continued)

The following table presents our international and structured finance insurance segment results for the three and nine months ended September 30, 2023 and 2022:

In millions	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Percent Change	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Percent Change
Net premiums earned	$ 3	$ 3	-%	$ 8	$ 10	-20%
Net investment income	3	5	-40%	20	12	67%
Net realized investment gains (losses)	(4)	-	n/m	(4)	(1)	n/m
Net gains (losses) on financial instruments at fair value and foreign exchange	(1)	(4)	-75%	(6)	(17)	-65%
Fees and reimbursements	1	2	-50%	5	11	-55%
Other net realized gains (losses)	2	1	100%	3	1	n/m
Revenues of consolidated VIEs:						
Net gains (losses) on financial instruments at fair value and foreign exchange	(23)	(36)	-36%	(47)	(16)	n/m
Other net realized gains (losses)	(7)	5	n/m	(25)	5	n/m
Total revenues	(26)	(24)	8%	(46)	5	n/m
Losses and loss adjustment	(20)	(28)	-29%	(11)	(95)	-88%
Amortization of deferred acquisition costs	1	2	-50%	5	8	-38%
Operating	7	5	40%	18	16	13%
Interest	40	33	21%	118	90	31%
Expenses of consolidated VIEs:						
Operating	1	2	-50%	9	5	80%
Interest	-	-	-%	-	2	-100%
Total expenses	29	14	107%	139	26	n/m
Income (loss) from continuing operations before income taxes	$ (55)	$ (38)	45%	$ (185)	$ (21)	n/m

n/m - Percent change not meaningful.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

RESULTS OF OPERATIONS (continued)

NET PREMIUMS EARNED Our international and structured finance insurance segment generates net premiums from insurance policies accounted for as financial guarantee contracts. Net premiums earned represent gross premiums earned net of premiums ceded to reinsurers, and include scheduled premium earnings and premium earnings from refunded issues. Certain premiums may be eliminated in our consolidated financial statements as a result of the Company consolidating VIEs. The following table provides net premiums earned from our financial guarantee contracts for the three and nine months ended September 30, 2023 and 2022:

In millions	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Percent Change	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Percent Change
Net premiums earned:						
U.S.	$ 1	$ -	n/m	$ 2	$ 2	-%
Non-U.S.	2	3	-33 %	6	8	-25%
Total net premiums earned	$ 3	$ 3	- %	$ 8	$ 10	-20%

n/m - Percent change not meaningful.

NET INVESTMENT INCOME The increase in net investment income for the nine months ended September 30, 2023 compared with the same period of 2022 was primarily due to the acceleration of accretion to par value upon the redemption of securities that were purchased at a discount.

NET REALIZED INVESTMENT GAINS (LOSSES) The net realized investment gains (losses) for the three and nine months ended September 30, 2023 and 2022 related to sales of securities from the ongoing management of our investment portfolio, including to generate liquidity to execute loss mitigation transactions on its insurance exposures.

NET GAINS (LOSSES) ON FINANCIAL INSTRUMENTS AT FAIR VALUE AND FOREIGN EXCHANGE The net losses for the three and nine months ended September 30, 2023 and 2022 were primarily driven by foreign exchange losses on the revaluation of non-U.S. dollar insurance balances. In addition, the three and nine months ended September 30, 2022 amounts include fair value losses on investments from increased interest rates.

FEES AND REIMBURSEMENTS The decreases in fees and reimbursements for the three and nine months ended September 30, 2023 compared with the same periods of 2022 were primarily due to a decrease in waiver and consent fees in 2023. Due to the transaction-specific nature inherent in fees and reimbursements, these revenues can vary significantly from period to period.

REVENUES OF CONSOLIDATED VIEs The net losses of consolidated VIE revenues for the three months ended September 30, 2023 and 2022 primarily included the reclassification of $11 million and $23 million, respectively, of credit risk losses from AOCI to net income (loss). These reclassifications were due to early redemptions of VIE liabilities. In addition, the three months ended September 30, 2023 included a loss of $7 million from the deconsolidation of a VIE and the three months ended September 30, 2022 included additional $9 million of fair value losses related to the early redemption of VIE liabilities.

The net losses of consolidated VIE revenues for the nine months ended September 30, 2023 and 2022 primarily include the reclassification of $45 million and $11 million, respectively, of credit risk losses from AOCI to net income (loss). These reclassifications were due to early redemptions of VIE liabilities and the deconsolidation of VIEs. In addition, the nine months ended September 30, 2023 included a loss of $7 million from the deconsolidation of a VIE.

LOSSES AND LOSS ADJUSTMENT EXPENSES Our international and structured finance insured portfolio management group is responsible for monitoring international and structured finance insured obligations. The level and frequency of monitoring of any insured obligation depends on the type, size, rating and our assessed performance of the insured issue. Refer to "Note 5: Loss and Loss Adjustment Expense Reserves" in the Notes to Consolidated Financial Statements for a description of the Company's loss reserving policy and additional information related to its loss reserves.

For the three and nine months ended September 30, 2023, the incurred benefit primarily related to an in increase in risk-free rates used to discount loss reserves, which caused the present value of loss reserves, net of recoveries, to decline. In addition, for the nine months ended September 30, 2023 the incurred benefit was partially offset by the termination of a first-lien RMBS insured transaction for which claim payments were higher than previous reserves.

RESULTS OF OPERATIONS (continued)

For the three months ended September 30, 2022, the losses and LAE benefit primarily related to increases in the risk-free rates used to discount expected claims payments, which decreased the present value of net loss reserves, primarily on insured RMBS transactions.

For the nine months ended September 30, 2022, the losses and LAE benefit primarily related to insured RMBS transactions and was the result of an increase in risk-free rates used to discount loss reserves during 2022, which caused case reserves, net of recoveries, to decline. Also contributing to the benefit was an increase in expected salvage collections from insured CDOs.

As a result of the consolidation of VIEs, loss and LAE excludes a losses and LAE expense of $1 million and a losses and LAE benefit of $31 million, for the three and nine months ended September 30, 2023, respectively, and excludes a losses and LAE expense of $3 million and losses and LAE benefit of $5 million for the three and nine months ended September 30, 2022, respectively, as VIE losses and LAE are eliminated in consolidation.

Refer to "Note 5: Loss and Loss Adjustment Expense Reserves" in the Notes to Consolidated Financial Statements for further information about our insurance loss recoverable and loss and LAE reserves. The following table presents information about our insurance loss recoverable and loss and LAE reserves as of September 30, 2023 and December 31, 2022.

In millions	September 30, 2023	December 31, 2022	Percent Change
Assets:			
Insurance loss recoverable	$ 27	$ 30	-10%
Reinsurance recoverable on paid and unpaid losses (1)	2	4	-50%
Liabilities:			
Loss and LAE reserves	222	285	-22%
Net reserve (salvage)	$ 193	$ 251	-23%

(1) - Reported within "Other assets" on our consolidated balance sheets.

The insurance loss recoverable primarily relates to reimbursement rights arising from the payment of claims on MBIA Corp.'s policies insuring certain RMBS transactions. Such payments also entitle MBIA Corp. to exercise certain rights and remedies to seek recovery of its reimbursement entitlements. The decrease in MBIA Corp.'s loss and LAE reserves from 2022 was primarily due to the termination of a first-lien RMBS insured transaction, as well as an increase in risk-free discount rates during 2023, which caused future liabilities, net of recoveries to decline. The decrease was partially offset by the weakening of the U.S. dollar, which caused foreign currency denominated case reserves on our insured first-lien RMBS portfolio to increase.

Refer to "Note 5: Loss and Loss Adjustment Expense Reserves" in the Notes to Consolidated Financial Statements for additional information about our loss reserving policy, loss reserves and recoverables.

RESULTS OF OPERATIONS (continued)

POLICY ACQUISITION COSTS AND OPERATING EXPENSES International and structured finance insurance segment expenses for the three and nine months ended September 30, 2023 and 2022 are presented in the following table:

In millions	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Percent Change	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Percent Change
Gross expenses	$ 7	$ 5	40 %	$ 18	$ 17	6%
Amortization of deferred acquisition costs	$ 1	$ 2	-50 %	$ 5	$ 8	-38%
Operating	7	5	40 %	18	16	13%
Total insurance operating expenses	$ 8	$ 7	14 %	$ 23	$ 24	4%

Gross expenses represent total insurance expenses before the deferral of any policy acquisition costs. We did not defer a material amount of policy acquisition costs during 2023 or 2022 as no new business was written. Policy acquisition costs in these periods were primarily related to ceding commissions and premium taxes on installment policies written in prior periods.

INTEREST EXPENSE Interest expense relates to MBIA Corp.'s surplus notes that are indexed to the 3-month secured overnight financing rate ("SOFR"). During the three months ended September 30, 2023, the Company transitioned from the previously indexed 3-month London Interbank Offered Rate ("LIBOR") rate to the 3-month SOFR plus 0.26161%. The increase in interest expense for the three and nine months ended September 30, 2023 compared with the same periods of 2022 were due to an increase in interest rates. Refer to the following "Liquidity and Capital Resources" section for more information about MBIA Corp.'s surplus notes.

International and Structured Finance Insurance Portfolio Exposures

Credit Quality

The credit quality of our international and structured finance insured portfolio is assessed in the same manner as our U.S. public finance insured portfolio. As of September 30, 2023 and December 31, 2022, 25% and 30%, respectively, of our international and structured finance insured portfolio was rated below investment grade, before giving effect to MBIA's guarantees, based on MBIA's internal ratings, which are generally more current than the underlying ratings provided by S&P and Moody's for this subset of our insured portfolio. Below investment grade insurance policies primarily include our first-lien RMBS and CDO exposures.

Selected Portfolio Exposures

MBIA Corp. insures RMBS backed by residential mortgage loans, including first-lien alternative A-paper and subprime mortgage loans directly through RMBS securitizations. As of September 30, 2023 and December 31, 2022, MBIA Corp. had $609 million and $802 million, respectively, of first-lien RMBS gross par outstanding. These amounts include the gross par outstanding related to transactions that the Company consolidates under accounting guidance for VIEs and includes international exposure of $40 million and $149 million, as of September 30, 2023 and December 31, 2022, respectively.

In addition, as of September 30, 2023 and December 31, 2022, MBIA Corp. insured $117 million and $201 million, respectively, of CDOs and related instruments.

RESULTS OF OPERATIONS (continued)

We may experience considerable incurred losses in certain of these sectors. There can be no assurance that the loss reserves recorded in our financial statements will be sufficient or that we will not experience losses on transactions on which we currently have no loss reserves, in particular if the economy deteriorates. We may seek to purchase, directly or indirectly, obligations guaranteed by MBIA Corp. or seek to commute policies. The amount of insurance exposure reduced, if any, and the nature of any such actions will depend on market conditions, pricing levels from time to time, and other considerations. In some cases, these activities may result in a reduction of loss reserves, but in all cases they are intended to limit our ultimate losses and reduce the future volatility in loss development on the related policies. Our ability to purchase guaranteed obligations and to commute policies will depend on management's assessment of available liquidity.

Effective in the first quarter of 2022, MBIA Corp. was granted a permitted practice by the New York State Department of Financial Services ("NYSDFS") related to the purchase of certain MBIA Corp.-insured securities with gross case base loss reserves ("Remediation Securities"). The Remediation Securities are being acquired with the intent to terminate or commute the related insurance policies. MBIA Corp. may elect to sell the Remediation Securities to facilitate a termination or commutation.

U.S. Public Finance and International and Structured Finance Reinsurance

Reinsurance enables the Company to cede exposure for purposes of syndicating risk. The Company generally retains the right to reassume the business ceded to reinsurers under certain circumstances, including a reinsurer's rating downgrade below specified thresholds. Currently, we do not intend to use reinsurance to decrease the insured exposure in our portfolio.

As of September 30, 2023, the aggregate amount of insured par outstanding ceded by MBIA to reinsurers under reinsurance agreements was $792 million compared with $897 million as of December 31, 2022. Under National's reinsurance agreement with MBIA Corp., if a reinsurer of MBIA Corp. is unable to pay claims ceded by MBIA Corp. on U.S. public finance exposure, National will assume liability for such ceded claim payments. For a further discussion of the Company's reinsurance, refer to "Note 13: Insurance in Force" in the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

We use a liquidity risk management framework, the primary objective of which is to match liquidity resources to needs. We monitor our cash and liquid asset resources using cash forecasting and stress-scenario testing. Members of MBIA's senior management meet regularly to review liquidity metrics, discuss contingency plans and establish target liquidity levels. We evaluate and manage liquidity on a legal-entity basis to take into account the legal, regulatory and other limitations on available liquidity resources within the enterprise.

Consolidated Cash Flows

Information about our consolidated cash flows by category is presented on our consolidated statements of cash flows. The following table summarizes our consolidated cash flows for the nine months ended September 30, 2023 and 2022:

	Nine Months Ended September 30,		
In millions	**2023**	**2022**	**Percent Change**
Statement of cash flow data:			
Net cash provided (used) by:			
Operating activities	$ (193)	$ 140	n/m
Investing activities	307	55	n/m
Financing activities	(117)	(229)	-49%
Effect of exchange rate changes on cash and cash equivalents	-	(2)	-100%
Cash and cash equivalents - beginning of period	78	160	-51%
Cash and cash equivalents - end of period	$ 75	$ 124	-40%

n/m - Percent change not meaningful.

LIQUIDITY AND CAPITAL RESOURCES (continued)

Operating activities

Net cash provided by operating activities decreased for the nine months ended September 30, 2023 compared with the same period of 2022 primarily due to a decrease of $636 million of proceeds from recoveries and reinsurance. Recoveries and reinsurance for the nine months ended September 30, 2022 included proceeds from the GO settlement and sale of certain PREPA bankruptcy claims in 2022. This was partially offset by a decrease in losses and LAE paid of $271 million primarily due to the acceleration and commutation payments in connection with the GO settlement in 2022.

Investing activities

Net cash provided by investing activities increased for the nine months ended September 30, 2023 compared with the same period of 2022. This increase was primarily due to less cash used for purchases of investments in order to generate liquidity to pay claims.

Financing activities

Net cash used by financing activities decreased for the nine months ended September 30, 2023 compared with the same period of 2022 primarily due to a decrease of $134 million in principal paydowns of medium-term notes, long-term debt and VIE debt in 2023 when compared to the same period of 2022. The decrease in principal paydowns was principally due to higher debt repurchases in 2022. Refer to the following "Liquidity and Capital Resources-Capital Resources" section for additional information on debt repurchases.

Consolidated Investments

The following discussion of investments, including references to consolidated investments, excludes investments reported under "Assets of consolidated variable interest entities" on our consolidated balance sheets. Investments of VIEs support the repayment of VIE obligations and are not available to settle obligations of MBIA. Fixed-maturity securities purchased by the Company are generally designated as AFS. Our AFS investments comprise high-quality fixed-income securities and short-term investments.

The credit quality distribution of the Company's AFS fixed-maturity investment portfolios, excluding short-term investments, are based on ratings from Moody's and alternate ratings sources, such as S&P or the best estimate of the ratings assigned by the Company, have been used for a small percentage of securities that are not rated by Moody's. As of September 30, 2023, the weighted average credit quality rating of the Company's AFS fixed-maturity investment portfolio, excluding short-term investments, was Aa and 96% of the investments were investment grade.

The fair values of securities in the Company's AFS fixed-maturity investment portfolio are sensitive to changes in interest rates. Decreases in interest rates generally result in increases in the fair values of fixed-maturity securities and increases in interest rates generally result in decreases in the fair values of fixed-maturity securities.

As of September 30, 2023 and December 31, 2022, the Company had $254 million and $233 million of unrealized losses, respectively, net of deferred taxes related to its investment portfolio recorded in accumulated other comprehensive income within equity. The increase in unrealized losses during 2023 resulted from higher interest rates, partially offset by tighter credit spreads.

Refer to "Note 2: Significant Accounting Policies" in the Notes to Consolidated Financial Statements included in the Company's Annual Report on 10-K for the year ended December 31, 2022 and "Note 7: Investments" in the Notes to Consolidated Financial Statements for further information about our accounting policies and investments.

LIQUIDITY AND CAPITAL RESOURCES (continued)

Insured Investments

MBIA's consolidated investment portfolio includes investments that are insured by various financial guarantee insurers ("Insured Investments"), including investments insured by National and MBIA Corp. ("Company-Insured Investments"). When purchasing Insured Investments, the Company's third-party portfolio manager independently assesses the underlying credit quality, structure and liquidity of each investment, in addition to the creditworthiness of the insurer. Insured Investments are diverse by sector, issuer and size of holding. The third-party portfolio manager assigns underlying ratings to Insured Investments without giving effect to financial guarantees based on underlying ratings assigned by Moody's, or S&P when a rating is not published by Moody's. When a Moody's or S&P underlying rating is not available, the underlying rating is based on the portfolio manager's best estimate of the rating of such investment. If the Company determines that declines in the fair values of third-party Insured Investments are related to credit loss, the Company will establish an allowance for credit losses and recognize the credit component through earnings.

As of September 30, 2023, Insured Investments at fair value represented $123 million or 5% of consolidated investments, of which $115 million or 5% of consolidated investments were Company-Insured Investments. As of September 30, 2023, based on the actual or estimated underlying ratings of our consolidated investment portfolio, without giving effect to financial guarantees, the weighted average rating of only the Insured Investments in the investment portfolio would be in the below investment grade range. Without giving effect to the National and MBIA Corp. guarantees of the Company-Insured Investments in the consolidated investment portfolio, as of September 30, 2023, based on actual or estimated underlying ratings, the weighted average rating of the consolidated investment portfolio was in the Aa range. The weighted average rating of only the Company-Insured Investments was in the below investment grade range, and investments rated below investment grade in the Company-Insured Investments were 4% of the total consolidated investment portfolio.

National Liquidity

The primary sources of cash available to National are:

- principal and interest receipts on assets held in its investment portfolio, including proceeds from the sale of assets;
- recoveries associated with insurance loss payments; and
- installment premiums.

The primary uses of cash by National are:

- loss payments and LAE on insured transactions;
- payments of dividends;
- payments of operating expenses, taxes and investment portfolio asset purchases; and
- funding share repurchases.

As of September 30, 2023 and December 31, 2022, National held cash and investments of $1.9 billion and $2.1 billion, respectively, of which $325 million and $230 million, respectively, were cash and cash equivalents or short-term investments comprised of highly rated commercial paper, money market funds and municipal, U.S. agency and corporate bonds.

The insurance policies issued or reinsured by National provide unconditional and irrevocable guarantees of payments of the principal of, and interest or other amounts owing on, insured obligations when due. In the event of a default in payment of principal, interest or other insured amounts by an issuer, National generally promises to make funds available in the insured amount within one to three business days following notification. In some cases, the amount due can be substantial, particularly if the default occurs on a transaction to which National has a large notional exposure or on a transaction structured with large, bullet-type principal maturities. The U.S. public finance insurance segment's financial guarantee contracts generally cannot be accelerated by a party other than the insurer which helps to mitigate liquidity risk in this segment.

LIQUIDITY AND CAPITAL RESOURCES (continued)

Corporate Liquidity

The primary sources of cash available to MBIA Inc. are:

- dividends from National;
- available cash and liquid assets not subject to collateral posting requirements;
- principal and interest receipts on assets held in its investment portfolio, including proceeds from the sale of assets; and
- access to capital markets.

The primary uses of cash by MBIA Inc. are:

- servicing outstanding unsecured corporate debt obligations and MTNs;
- meeting collateral posting requirements under investment agreements and derivative arrangements;
- payments related to interest rate swaps;
- payments of operating expenses; and
- funding share repurchases and debt buybacks.

As of September 30, 2023 and December 31, 2022, the liquidity positions of MBIA Inc. were $194 million and $230 million, respectively, and included cash and cash equivalents and other investments comprised of highly rated commercial paper and U.S. government and asset-backed bonds.

Based on our projections of National's and MBIA Corp.'s future earnings and losses, we expect that for the foreseeable future National will be the primary source of payments to MBIA Inc. There can be no assurance as to the amount and timing of any future dividends from National. Also, absent a special dividend subject to the approval of the NYSDFS, we expect the declared and paid dividend amounts from National to be limited to the prior twelve months of adjusted net investment income as reported in its most recent statutory filings. Refer to the following "Liquidity and Capital Resources-Capital Resources" section for additional information on payments of dividends. We do not expect MBIA Inc. to receive dividends from MBIA Corp.

Currently, a significant portion of the cash and securities held by MBIA Inc. is pledged against investment agreement liabilities, the Asset Swap (simultaneous repurchase and reverse repurchase agreement) and derivatives, which limits its ability to raise liquidity through asset sales. As the market value or rating eligibility of the assets pledged against MBIA Inc.'s obligations declines, we are required to pledge additional eligible assets in order to meet minimum required collateral amounts against these liabilities. To mitigate these risks, we seek to maintain cash and liquidity resources that we believe will be sufficient to make all payments due on our obligations and to meet other financial requirements, such as posting collateral. Contingent liquidity resources include: (1) sales of invested assets exposed to credit spread stress risk, which may occur at losses; (2) termination and settlement of interest rate swap agreements; and (3) accessing the capital markets. These actions, if taken, are expected to result in either additional liquidity or reduced exposure to adverse credit spread movements. There can be no assurance that these actions will be sufficient to fully mitigate this risk.

MBIA Corp. Liquidity

The primary sources of cash available to MBIA Corp. are:

- recoveries associated with insurance loss payments;
- installment premiums and fees; and
- principal and interest receipts on assets held in its investment portfolio, including the proceeds from the sale of assets.

LIQUIDITY AND CAPITAL RESOURCES (continued)

The primary uses of cash by MBIA Corp. are:

- loss and LAE or commutation payments on insured transactions; and
- payments of operating expenses.

As of September 30, 2023 and December 31, 2022, MBIA Corp. held cash and investments of $322 million and $386 million, respectively, of which $40 million and $41 million, respectively, were cash and cash equivalents or liquid investments comprised of money market funds and municipal, U.S. Treasury and corporate bonds that were immediately available to MBIA Insurance Corporation.

Insured transactions that require payment of scheduled debt service payments insured when due or payment in full of the principal insured at maturity could present liquidity risk for MBIA Corp., as any salvage recoveries from such payments could be recovered over an extended period of time after the payment is made. MBIA Corp. is generally required to satisfy claims within one to three business days, and as a result seeks to identify potential claims in advance through our monitoring process. In order to monitor liquidity risk and maintain appropriate liquidity resources, we use the same methodology as we use to monitor credit quality and losses within our insured portfolio, including stress scenarios.

Contractual Obligations

For a discussion of the Company's contractual obligations, refer to "Liquidity and Capital Resources - Liquidity - Contractual Obligations" in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022. There were no material changes in contractual obligations since December 31, 2022.

Capital Resources

The Company manages its capital resources to minimize its cost of capital while maintaining appropriate claims-paying resources ("CPR") for National and MBIA Corp. The Company's capital resources consist of total shareholders' equity, total debt issued by MBIA Inc. for general corporate purposes and surplus notes issued by MBIA Corp. In addition to scheduled debt maturities, from time to time, we reduce unsecured debt through calls or repurchases. Also, MBIA Inc. may repurchase or National may purchase outstanding MBIA Inc. common shares when we deem it beneficial to our shareholders. Purchases or repurchases of debt and common stock may be made from time to time in the open market or in private transactions as permitted by securities laws and other legal requirements. We may also choose to redeem debt obligations where permitted by the relevant agreements. MBIA Inc. or National may acquire or redeem outstanding common shares of MBIA Inc. and outstanding debt obligations at prices when we deem it beneficial to our shareholders. We seek to maintain sufficient liquidity and capital resources to meet the Company's general corporate needs and debt service. Based on MBIA Inc.'s debt service requirements and expected operating expenses, we expect that MBIA Inc. will have sufficient resources to satisfy its debt obligations and its general corporate needs over time from distributions from National; however, there can be no assurance that MBIA Inc. will have sufficient resources to do so. In addition, the Company may also consider raising third-party capital. Refer to "Capital, Liquidity and Market Related Risk Factors" in Part I, Item 1A of our Form 10-K for the year ended December 31, 2022 and the "Liquidity and Capital Resources—Liquidity—Corporate Liquidity" section included herein for additional information about MBIA Inc.'s liquidity.

Equity securities

On May 3, 2023, the Company's Board of Directors approved a share repurchase program authorizing the Company and/or National to purchase up to $100 million of the Company's shares in open market transactions, in privately negotiated transactions or by any other legal means. During the nine months ended September 30, 2023, National or the Company purchased or repurchased 3.6 million shares at an average price per share of $8.12. As of September 30, 2023, the remaining authorization under this share repurchase program was $71 million. The Inflation Reduction Act, enacted in August 2022 imposes a 1% excise tax, net of any allowable offsets, on share repurchases occurring after December 31, 2022. The excise tax on share repurchases is reflected as an additional cost of the shares acquired and is recorded in "Treasury stock, at cost" with a corresponding liability recorded in "Other liabilities" on the Company's consolidated balance sheets. For the nine months ended September 30, 2023, the excise tax calculated was not material and is not included in the above amounts.

LIQUIDITY AND CAPITAL RESOURCES (continued)

Debt securities

During the nine months ended September 30, 2023, the Company repurchased $11 million par value outstanding of GFL MTNs with maturity in 2024 issued by our corporate segment at a weighted average cost of approximately 92% of par value.

During the nine months ended September 30, 2022, the Company repurchased $30 million par value outstanding of GFL MTNs with maturities in 2024 and 2025 issued by our corporate segment at a weighted average cost of approximately 84% of par value.

During the nine months ended September 30, 2022, MBIA Corp. purchased $24 million principal amount of MBIA Inc. 6.625% Debentures due 2028, $4 million principal amount of MBIA Inc. 7.150% Debentures due 2027 and $0.6 million principal amount of MBIA Inc. 7.000% Debentures due 2025, at a weighted average cost of approximately 102% par value.

Insurance Statutory Capital

National and MBIA Insurance Corporation are incorporated and licensed in, and are subject to primary insurance regulation and supervision by the NYSDFS. MBIA Mexico is regulated by the Comisión Nacional de Seguros y Fianzas in Mexico. MBIA Corp.'s Spanish Branch was subject to local regulation in Spain. In May of 2023, MBIA Corp.'s Spanish Branch was legally closed. National and MBIA Insurance Corporation each are required to file detailed annual financial statements, as well as interim financial statements, with the NYSDFS and similar supervisory agencies in each of the other jurisdictions in which it is licensed. These financial statements are prepared in accordance with New York State and the National Association of Insurance Commissioners' statements of U.S. STAT and assist our regulators in evaluating minimum standards of solvency, including minimum capital requirements, and business conduct.

<u>National – Statutory Capital and Surplus</u>

National had statutory capital of $1.8 billion and $1.9 billion as of September 30, 2023 and December 31, 2022, respectively. As of September 30, 2023, National's unassigned surplus was $817 million. For the nine months ended September 30, 2023, National had statutory net loss of $133 million. Refer to the "National — Claims - Paying Resources (Statutory Basis)" section below for additional information on National's statutory capital.

In order to maintain its New York State financial guarantee insurance license, National is required to maintain a minimum of $65 million of policyholders' surplus. National is also required to maintain contingency reserves to provide protection to policyholders in the event of extreme losses in adverse economic events. As of September 30, 2023, National was in compliance with its aggregate risk limits under New York Insurance Law ("NYIL"), but was not in compliance with certain of its single risk limits. Since National does not comply with certain of its single risk limits, the NYSDFS could prevent National from transacting any new financial guarantee insurance business.

NYIL regulates the payment of dividends by financial guarantee insurance companies and provides that such companies may not declare or distribute dividends except out of statutory earned surplus. Under NYIL, the sum of (i) the amount of dividends declared or distributed during the preceding 12-month period and (ii) the dividend to be declared may not exceed the lesser of (a) 10% of policyholders' surplus, as reported in the latest statutory financial statements or (b) 100% of adjusted net investment income for such 12-month period (the net investment income for such 12-month period plus the excess, if any, of net investment income over dividends declared or distributed during the two-year period preceding such 12-month period), unless the Superintendent of the NYSDFS approves a greater dividend distribution based upon a finding that the insurer will retain sufficient surplus to support its obligations.

National had positive earned surplus as of September 30, 2023 from which it may pay dividends, subject to the limitations described above. We expect the as-of-right declared and paid dividend amounts from National to be limited to prior year adjusted net investment income for the foreseeable future.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

LIQUIDITY AND CAPITAL RESOURCES (continued)

National – Claims-Paying Resources (Statutory Basis)

CPR is a key measure of the resources available to National to pay claims under its insurance policies. CPR consists of total financial resources and reserves calculated on a statutory basis. CPR has been a common measure used by financial guarantee insurance companies to report and compare resources and continues to be used by MBIA's management to evaluate changes in such resources. We have provided CPR to allow investors and analysts to evaluate National using the same measure that MBIA's management uses to evaluate National's resources to pay claims under its insurance policies. There is no directly comparable GAAP measure. Our calculation of CPR may differ from the calculation of CPR reported by other companies.

National's CPR and components thereto, as of September 30, 2023 and December 31, 2022 are presented in the following table:

In millions	As of September 30, 2023	As of December 31, 2022
Policyholders' surplus	$ 1,406	$ 1,545
Contingency reserves	359	379
Statutory capital	1,765	1,924
Unearned premiums	241	262
Present value of installment premiums (1)	107	110
Premium resources (2)	348	372
Net loss and LAE reserves (1)	76	(140)
Salvage reserves on paid claims (1)	151	288
Gross loss and LAE reserves	227	148
Total claims-paying resources	$ 2,340	$ 2,444

(1) - Calculated using a discount rate of 4.29% as of September 30, 2023 and December 31, 2022.
(2) - Includes financial guarantee and insured derivative related premiums.

MBIA Insurance Corporation – Statutory Capital and Surplus

MBIA Insurance Corporation had statutory capital of $145 million as of September 30, 2023 compared with $169 million as of December 31, 2022. As of September 30, 2023, MBIA Insurance Corporation's negative unassigned surplus was $1.9 billion. For the nine months ended September 30, 2023, MBIA Insurance Corporation had a statutory net loss of $34 million. Refer to the "MBIA Insurance Corporation — Claims - Paying Resources (Statutory Basis)" section below for additional information on MBIA Insurance Corporation's statutory capital.

In order to maintain its New York State financial guarantee insurance license, MBIA Insurance Corporation is required to maintain a minimum of $65 million of policyholders' surplus. In addition, under NYIL, MBIA Insurance Corporation is required to invest its minimum surplus and contingency reserves and 50% of its loss reserves and unearned premium reserves in certain qualifying assets. As of September 30, 2023, MBIA Insurance Corporation maintained its minimum requirement of policyholders' surplus but did not have enough qualifying assets to support its contingency reserves and 50% of its loss reserves and unearned premium reserves.

As of September 30, 2023, MBIA Insurance Corporation was in compliance with its aggregate risk limits under the NYIL, but was not in compliance with certain of its single risk limits. Since MBIA Insurance Corporation does not comply with its single risk limits, the NYSDFS could prevent MBIA Insurance Corporation from transacting any new financial guarantee insurance business.

MBIA Insurance Corporation is also required to maintain contingency reserves to provide protection to policyholders in the event of extreme losses in adverse economic events. MBIA Corp. maintains a fixed $5 million of contingency reserves.

Due to its significant earned surplus deficit, MBIA Insurance Corporation has not had the statutory capacity to pay dividends since December 31, 2009. Based on estimated future income, MBIA Insurance Corporation is not expected to have any statutory capacity to pay dividends.

LIQUIDITY AND CAPITAL RESOURCES (continued)

The NYSDFS has not approved MBIA Insurance Corporation's requests to make interest payments on MBIA Insurance Corporation's Surplus Notes due January 15, 2033 (the "Surplus Notes") since, and including, the January 15, 2013 interest payment. The NYSDFS has cited both MBIA Insurance Corporation's liquidity and financial condition as well as the availability of "free and divisible surplus" as the basis for such non-approvals. As of October 15, 2023, the most recent scheduled interest payment date, there was $1.4 billion of unpaid interest on the par amount outstanding of $953 million of the Surplus Notes. Under Section 1307 of the NYIL and the Fiscal Agency Agreement governing the surplus notes, Surplus Note payments may be made only with the prior approval by the NYSDFS and if MBIA Insurance Corporation has sufficient "Eligible Surplus", or as we believe, "free and divisible surplus" as an appropriate calculation of "Eligible Surplus." As of September 30, 2023, MBIA Insurance Corporation had "free and divisible surplus" of $123 million. There is no assurance the NYSDFS will approve Surplus Note payments, notwithstanding the sufficiency of MBIA Insurance Corporation's liquidity and financial condition. The unpaid interest on the Surplus Notes will become due on the first business day on or after which MBIA Insurance Corporation obtains approval to pay some or all of such unpaid interest. No interest has been accrued or will accrue on the deferred interest.

MBIA Insurance Corporation — Claims - Paying Resources (Statutory Basis)

CPR is a key measure of the resources available to MBIA Corp. to pay claims under its insurance policies. CPR consists of total financial resources and reserves calculated on a statutory basis. CPR has been a common measure used by financial guarantee insurance companies to report and compare resources, and continues to be used by MBIA's management to evaluate changes in such resources. We have provided CPR to allow investors and analysts to evaluate MBIA Corp., using the same measure that MBIA's management uses to evaluate MBIA Corp.'s resources to pay claims under its insurance policies. There is no directly comparable GAAP measure. Our calculation of CPR may differ from the calculation of CPR reported by other companies.

MBIA Corp.'s CPR and components thereto, as of September 30, 2023 and December 31, 2022 are presented in the following table:

In millions	As of September 30, 2023	As of December 31, 2022
Policyholders' surplus	$ 140	$ 164
Contingency reserves	5	5
Statutory capital	145	169
Unearned premiums	31	36
Present value of installment premiums (1)	28	34
Premium resources (2)	59	70
Net loss and LAE reserves (1)	31	35
Salvage reserves on paid claims (1) (3)	267	395
Gross loss and LAE reserves	298	430
Total claims-paying resources	$ 502	$ 669

(1) - Calculated using a discount rate of 5.53% as of September 30, 2023 and December 31, 2022.
(2) - Includes financial guarantee and insured derivative related premiums.
(3) - This amount primarily consists of expected recoveries related to the payment of claims on insured CDOs and RMBS. In addition, the amount includes salvage related to a permitted practice granted by NYSDFS.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

CRITICAL ACCOUNTING ESTIMATES

We prepare our consolidated financial statements in accordance with GAAP, which requires the use of estimates and assumptions. Management has discussed and reviewed the development, selection, and disclosure of critical accounting estimates with the Company’s Audit Committee. Our most critical accounting estimates include loss and LAE reserves and valuation of financial instruments, since these estimates require significant judgment. Any modifications in these estimates could materially impact our financial results.

For a discussion of the Company’s critical accounting estimates, refer to “Critical Accounting Policies and Estimates” in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2022. In addition, refer to “Note 5: Loss and Loss Adjustment Expense Reserves” and “Note 6: Fair Value of Financial Instruments” in the Notes to Consolidated Financial Statements for a current description of estimates used in our insurance loss reserving process and information about our financial assets and liabilities that are accounted for at fair value, including valuation techniques and significant inputs.

RECENT ACCOUNTING PRONOUNCEMENTS

Refer to “Note 3: Recent Accounting Pronouncements” in the Notes to Consolidated Financial Statements for a discussion of accounting guidance recently adopted by the Company.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company's market risk exposures relate to changes in interest rates, foreign exchange rates and credit spreads that affect the fair value of its financial instruments, primarily investment securities, MTNs and investment agreement liabilities. The Company's investments are primarily U.S. dollar-denominated fixed-income securities including municipal bonds, U.S. government bonds, corporate bonds, MBS and asset-backed securities. In periods of rising and/or volatile interest rates, foreign exchange rates and credit spreads, profitability could be adversely affected should the Company have to liquidate these securities. The Company minimizes its exposure to interest rate risk, foreign exchange risk and credit spread movement through active portfolio management to ensure a proper mix of the types of securities held and to stagger the maturities of its fixed-income securities. There following tables present updates in our market risk exposures since December 31, 2022.

INTEREST RATE SENSITIVITY

Interest rate sensitivity can be estimated by projecting a hypothetical instantaneous increase or decrease in interest rates. The following table presents the estimated pre-tax change in fair value of the Company's financial instruments as of September 30, 2023 from instantaneous shifts in interest rates:

	Change in Interest Rates					
In millions	300 Basis Point Decrease	200 Basis Point Decrease	100 Basis Point Decrease	100 Basis Point Increase	200 Basis Point Increase	300 Basis Point Increase
Estimated change in fair value	$ 210	$ 124	$ 55	$ (45)	$ (81)	$ (111)

FOREIGN EXCHANGE RATE SENSITIVITY

The Company is exposed to foreign exchange rate risk in respect of liabilities denominated in currencies other than U.S. dollars. Certain liabilities included in our corporate segment are denominated in currencies other than U.S. dollars. The majority of the Company's foreign exchange rate risks is with the Euro. Foreign exchange rate sensitivity can be estimated by projecting a hypothetical instantaneous increase or decrease in foreign exchange rates. The following table presents the estimated pre-tax change in fair value of the Company's financial instruments as of September 30, 2023 from instantaneous shifts in foreign exchange rates:

	Change in Foreign Exchange Rates			
	Dollar Weakens		Dollar Strengthens	
In millions	20%	10%	10%	20%
Estimated change in fair value	$ (26)	$ (13)	$ 13	$ 26

CREDIT SPREAD SENSITIVITY

Credit spread sensitivity can be estimated by projecting a hypothetical instantaneous increase or decrease in credit spreads. The following table presents the estimated pre-tax change in fair value of the Company's financial instruments as of September 30, 2023 from instantaneous shifts in credit spread curves. It was assumed that all credit spreads move by the same amount. It is more likely that the actual changes in credit spreads will vary by security. The changes in fair value reflect partially offsetting effects as the value of the investment portfolios generally changes in an opposite direction from the liability portfolio:

	Change in Credit Spreads		
In millions	50 Basis Point Decrease	50 Basis Point Increase	200 Basis Point Increase
Estimated change in fair value	$ 42	$ (39)	$ (140)

Item 4. Controls and Procedures

As of the end of the period covered by this report, an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15(d)-15(e) under the Securities Exchange Act of 1934) was performed under the supervision and with the participation of the Company's senior management, including the Chief Executive Officer and the Chief Financial Officer. Based on that evaluation, the Company's management, including the Chief Executive Officer and the Chief Financial Officer, concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report. In addition, there have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) during the fiscal quarter to which this report relates that have materially affected, or are likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

For a discussion of the Company's litigation and related matters, see "Note 13: Commitments and Contingencies" in the Notes to Consolidated Financial Statements of MBIA Inc. and Subsidiaries in Part I, Item 1. In the normal course of operating its businesses, MBIA Inc. may be involved in various legal proceedings. As a courtesy, the Company posts on its website under the section "Legal Proceedings," selected information and documents in reference to selected legal proceedings in which the Company is the plaintiff or the defendant. The Company will not necessarily post all documents for each proceeding and undertakes no obligation to revise or update them to reflect changes in events or expectations. The complete official court docket can be publicly accessed by contacting the clerk's office of the respective court where each litigation is pending.

Item 1A. Risk Factors

The following should be read in conjunction with and supplements the risk factors described under Part I, Item 1A, "Risk Factors" of the Company's Annual Report on Form 10-K for the year ended December 31, 2022. Except as set forth below, there have been no material changes to the risk factors previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2022.

<u>Insured Portfolio Loss Related Risk Factors</u>

Some of the state, local and territorial governments and finance authorities and other providers of public services, located in the U.S. or abroad, that issued public finance obligations we insured are experiencing fiscal stress that could result in increased credit losses or impairments on those obligations.

Certain issuers are reporting fiscal stress that has resulted in a significant increase in taxes and/or a reduction in spending or other measures in efforts to satisfy their financial obligations. In particular, certain jurisdictions have significantly underfunded pension liabilities which are placing additional stress on their finances and are particularly challenging to restructure either through negotiation or under Chapter 9 of the United States Bankruptcy Code. If the issuers of the obligations in our public finance portfolio are unable to raise taxes, or increase other revenues, cut spending, reduce liabilities, and/or receive state or federal assistance, we may experience losses or impairments on those obligations, which could materially and adversely affect our business, financial condition and results of operations. The financial stress experienced by certain municipal issuers could result in the filing of Chapter 9 proceedings in states where municipal issuers are permitted to seek bankruptcy protection. In these proceedings, which remain rare, the resolution of bondholder claims (and by extension, those of bond insurers) may be subject to legal challenge by other creditors.

In particular, while the Commonwealth of Puerto Rico has completed its court-ordered restructuring pursuant to the Puerto Rico Oversight, Management and Economic Stability Act ("PROMESA"), the Puerto Rico Electric Power Authority ("PREPA") currently remains in a bankruptcy-like proceeding under PROMESA in the United States District Court for the District of Puerto Rico.

As of September 30, 2023, National had $808 million of debt service outstanding related to PREPA. On January 1, 2023, PREPA defaulted on scheduled debt service for certain National insured bonds and National paid gross claims in the aggregate of $18 million. In addition, on July 1, 2023, PREPA defaulted on scheduled debt service for National insured bonds and National paid gross claims in the aggregate of $119 million. On January 31, 2023, National and the Oversight Board entered into a Plan Support Agreement, resolving National's claims in the PREPA Title III case (the "PREPA PSA"), and on February 9, 2023, the Oversight Board filed its Amended Plan of Adjustment for PREPA (the "Amended Plan"), including the PREPA PSA. On August 25, 2023, National entered into the First Amendment to the PREPA Plan Support Agreement (the "Amended PSA") with the Oversight Board, on behalf of itself and as the sole Title III representative of PREPA. On August 25, 2023, the Oversight Board filed its Third Amended Title III Plan of Adjustment (the "Third Amended Plan") incorporating, among other things, the terms of the Amended PSA. The Amended PSA provides that, upon the effective date of the Third Amended Plan, National shall receive cash, together with certain fees and expense reimbursement payments, in an amount based in part on the ultimate participation, if any, of certain currently non-accepting holders of uninsured PREPA bonds. The Amended PSA also provides National with additional consideration in the form of two types of contingent values instruments, whose value cannot be assured. The Amended PSA remains subject to a number of conditions, including (but not limited to) the Title III Court's approval of the Amended PSA and the confirmation and effectiveness of the Third Amended Plan, as it may be further amended with the Court's approval. Confirmation is currently scheduled to begin March 4, 2024.

Refer to the "U.S. Public Finance Insurance Puerto Rico Exposures" section in Part I, Item 2 of this Form 10-Q for additional information on our Puerto Rico exposures.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities

The table below presents purchases or repurchases made by the Company or National in each month during the third quarter of 2023:

Month	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan	Maximum Amount That May Be Purchased Under the Plan (in millions) (2)
July	108,358	$ 8.46	108,256	$ 77
August	563,917	8.37	563,810	71
September	232,454	8.05	-	71
	904,729	$ 8.30	672,066	

(1) Includes 232,339 in September that were withheld from participants for income tax purposes whose shares of restricted stock vested during the period. Such restricted stock was originally issued to participants under the Company's long-term incentive plan. 102 shares in July, 107 shares in August, and 115 shares in September were repurchased in open market transactions as investments in the Company's non-qualified deferred compensation plan.

(2) On May 3, 2023, the Company's Board of Directors approved a share repurchase program authorizing the Company and/or National to purchase up to $100 million of the Company's shares in open market transactions, in privately negotiated transactions or by any other legal means.

Item 6. Exhibits

*31.1.	Chief Executive Officer—Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*31.2.	Chief Financial Officer—Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
**32.1.	Chief Executive Officer—Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
**32.2.	Chief Financial Officer—Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*101.INS.	XBRL Instance Document – the instance document does not appear in the Interactive Data File because iXBRL tags are embedded within the Inline XBRL document.
*101.SCH.	Inline XBRL Taxonomy Extension Schema Document.
*101.CAL.	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
*101.DEF.	Inline XBRL Taxonomy Extension Definition Linkbase Document.
*101.LAB.	Inline XBRL Taxonomy Extension Label Linkbase Document.
*101.PRE.	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
*104.	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

* Filed herewith.
** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	MBIA Inc. Registrant
Date: November 2, 2023	/s/ Anthony McKiernan Anthony McKiernan Chief Financial Officer
Date: November 2, 2023	/s/ Joseph R. Schachinger Joseph R. Schachinger Controller (Chief Accounting Officer)

Exhibit 31.1

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, William C. Fallon, certify that:

1. I have reviewed the Quarterly Report of MBIA Inc. (the "Company") on Form 10-Q for the period ending September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report");
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this Report;
4. The Company's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;
   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and
   (d) disclosed in this Report any change in the Company's internal control over financial reporting that occurred during the Company's third quarter of 2023 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. The Company's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and to the audit committee of the board of directors:
   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

/s/ William C. Fallon
William C. Fallon
Chief Executive Officer
November 2, 2023

Exhibit 31.2

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Anthony McKiernan, certify that:

1. I have reviewed the Quarterly Report of MBIA Inc. (the “Company”) on Form 10-Q for the period ending September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”);
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this Report;
4. The Company’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Report is being prepared;
   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and
   (d) disclosed in this Report any change in the Company’s internal control over financial reporting that occurred during the Company’s third quarter of 2023 that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
5. The Company’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and to the audit committee of the board of directors:
   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and
   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

/s/ Anthony McKiernan
Anthony McKiernan
Chief Financial Officer
November 2, 2023

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of MBIA Inc. (the “Company”) on Form 10-Q for the period ending September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, William C. Fallon, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ William C. Fallon
William C. Fallon
Chief Executive Officer
November 2, 2023

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of MBIA Inc. (the “Company”) on Form 10-Q for the period ending September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Anthony McKiernan, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Anthony McKiernan
Anthony McKiernan
Chief Financial Officer
November 2, 2023